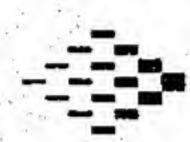
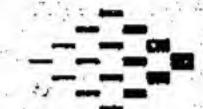
Consolidated Statement of Earnings



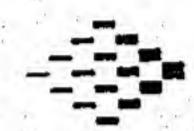
(In thousands, except per share dat	а)	-7-7-8	1984		1983		1982
Sales		\$3	,724,294	\$3	,101,682	\$2,	590,650
Costs and expenses		1					
Cost of goods sold, including occupancy and buying costs		2	,702,055	2	,240,404	1,	851,566
Selling, general, and administrative expenses			862,272	177	706,368	4.00 at 1	599,493
Interest expense and discount, net			117,237	ja le	92,345	10	99,237
		3	,681,564	3	,039,117	2,	550,296
Earnings from continuing operations before nonoperating income and	income taxes	7	42,730		62,565	. . .	40,354
Nonoperating income							
Costs relating to unsolicited tender offer			(7,100)	-		\$. T	
Gains on sale of joint venture interests				900	12,768		3,850
Gains on retirement of debentures				- ,-	4,252		7,956
		(d* _{3.3})	(7,100)		17,020	ee	11,806
Earnings from continuing operations before income taxes			35,630	100	79,585		52,160
Income taxes		3	8,500	tuta ⁰	24,200	4.	11,650
Earnings from continuing operations		11	27,130		55,385		40,510
Discontinued operations						111	Y
Earnings (loss) from operations, net of income taxes of (\$1,05). Gain on sale of Waldenbooks, net of income taxes of \$29,850.		ď.	(510)		12,100	1	8,515
			62,540	•	12,100	3 45	8,515
Net earnings		\$	89,670	\$	67,485	\$	49,025
Primary earnings per common share	33				- 3		
Continuing operations		\$	_	. \$	1.57	S	1.27
Discontinued operations		•	2.75		.36		.28
		\$	2.75	\$	1.93	\$	1.55
Eully diluted agaings has common sham							
Fully diluted earnings per common share Continuing operations		•	.83	•	1.56	•	1.27
Discontinued operations	1	. 4	1.89	Ψ	.34	Φ.	.26
Disco:minued operations			10.7000				
		\$	2.72	\$	1.90	\$	1.53

Consolidated Balance Sheet



Merchandise inventories		(In thousands)	February 2, 1985	January 28 1984
Accounts receivable, net Merchandise inventories 717,300 5 Other current assets 39,487 Property and equipment, net 823,569 7 Investment in finance subsidiaries 143,864 1 Net assets of Waldenbooks 74,735 11,947,206 11,94	s	Current assets		
Merchandise inventories		Cash	\$ 22,727	\$ 12,902
Other current assets 39,487		Accounts receivable, net	125,524	156,307
Property and equipment, net 823,569 7 Investment in finance subsidiaries 143,864 1 Net assets of Waldenbooks 1 Other assets 74,735		Merchandise inventories	717,300	579,944
Property and equipment, net 143,864 1 Net assets of Waldenbooks 143,864 1 Other assets 74,735 1,947,206 1,947,305 Ities and Current liabilities 134,562 1 Other by a payable and current installments 50,370 \$ Accounts payable 285,466 2 Accrued liabilities 134,562 1 Dividends payable 5,983 Current income taxes 16,933 Deferred income taxes 16,933 Deferred income taxes 99,648 1 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3		Other current assets	39,487	35,318
Investment in finance subsidiaries 143,864 1 Net assets of Waldenbooks 74,735 Cother assets 74,735 St,947,206 \$1,947,206 \$1,947,206 \$1,947,206 St,947,206 \$1,947,206 \$1,947,206 Accounts payable \$5,930 Carrent income taxes \$16,933 Current income taxes \$16,933 Deferred income taxes \$16,933 Deferred income taxes \$99,648 \$1 Capit al lease obligations \$592,962 \$5 Long term deferred stock \$5 Capit al lease obligations \$152,006 \$1 Other liabilities \$55,922 Long term deferred stock, \$5 par value, stated \$101,496 Redeemable preferred stock, \$5 par value, stated \$300,000 Nonredeemable preferred stock, \$5 par value \$95,334 \$1 Other paid-in capital \$140,358 \$2 Accumulated earnings \$112,474 \$3			905,038	784,471
Net assets of Waldenbooks 74,735 31,947,206 \$1,947,207 \$1,94		Property and equipment, net	823,569	795,566
Other assets 74,735 and Current liabilities \$1,947,206 \$1,9 Sequity Notes payable and current installments \$50,370 \$ Accounts payable 285,466 2 Accrued liabilities 134,562 1 Dividends payable 5,983 1 Current income taxes 16,933 1 Deferred income taxes 99,648 1 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 1 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 1 Long term debt 396,654 3 Capital lease obligations 300,000 1 Other liabilities 300,000 3 <td< td=""><td>The second of the second of th</td><td>Investment in finance subsidiaries</td><td>143,864</td><td>157,406</td></td<>	The second of th	Investment in finance subsidiaries	143,864	157,406
### Current liabilities Society Notes payable and current installments \$50,370 \$50,370 \$50,370 \$60,370 \$70,370		Net assets of Waldenbooks		169,168
St. 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 1,947,206 2,95,334 1,947,206 1,947,206 2,95,334 1,947,206 1,947,206 1,947,206 2,95,334 1,947,206 1,947,206 1,947,206 1,948,206 1		Other assets	74,735	55,083
s' Equity Notes payable and current installments \$ 50,370 \$ Accounts payable 285,466 2 Accrued liabilities 134,562 1 Dividends payable 5,983 16,933 Current income taxes 99,648 1 Deferred income taxes 99,648 1 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3			\$1,947,206	\$1,961,694
Accounts payable	s and	Current liabilities		(*)
Accounts payable 285,466 2 Accrued liabilities 134,562 1 Dividends payable 5,983 Current income taxes 16,933 Deferred income taxes 99,648 1 Long term debt 592,962 5 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value 595,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3	ers' Equity	Notes payable and current installments	\$ 50,370	\$ 10,478
Dividends payable			285,466	246,800
Dividends payable 5,983 Current income taxes 16,933 Deferred income taxes 99,648 1 September 592,962 5 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3		Accrued liabilities	134,562	128,713
Current income taxes 16,933 Deferred income taxes 99,648 1 Sequence 592,962 5 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3		Dividends payable	5,983	11,134
Deferred income taxes 99,648 1 592,962 5 Long term debt 396,654 3 Capital lease obligations 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3		Current income taxes	16,933	8,283
Long term debt Capital lease obligations Other liabilities 152,006 1 Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Common stock, \$5 par value 95,334 1 Other paid-in capital Accumulated earnings 112,474 3		Deferred income taxes	드레이션 그래요. 설명하다 중요합니다	108,525
Capital lease obligations Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value 95,334 Other paid-in capital Accumulated earnings 112,474 3			592,962	513,933
Other liabilities 55,922 Long term deferred income taxes 101,496 Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share 300,000 Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3			396,654	358,268
Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings 101,496 300,000 95,334 1 140,358 2		Capit al lease obligations	152,006	158,075
Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings 300,000 95,334 1 140,358 2	7		55,922	55,611
at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings 300,000 95,334 1 140,358 112,474 3		Long term deferred income taxes	101,496	92,274
at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings 300,000 95,334 1 140,358 112,474 3		Redeemable preferred stock \$5 par value stated	y the section of	
Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings Nonredeemable preferred stock, common stock, and other shareholders' equity 95,334 1140,358 112,474 3			300,000	
Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings 112,474 3	(500,000	
Common stock, \$5 par value 95,334 1 Other paid-in capital 140,358 2 Accumulated earnings 112,474 3	•	[11] [12]	***	3,548
Other paid-in capital 140,358 2 Accumulated earnings 112,474 3)	95 334	176,703
Accumulated earnings 112,474 3				263,796
				339,486
\$101740/ #to	150-5		\$1,947,206	\$1,961,694

Consolidated Statement of Changes in Financial Position



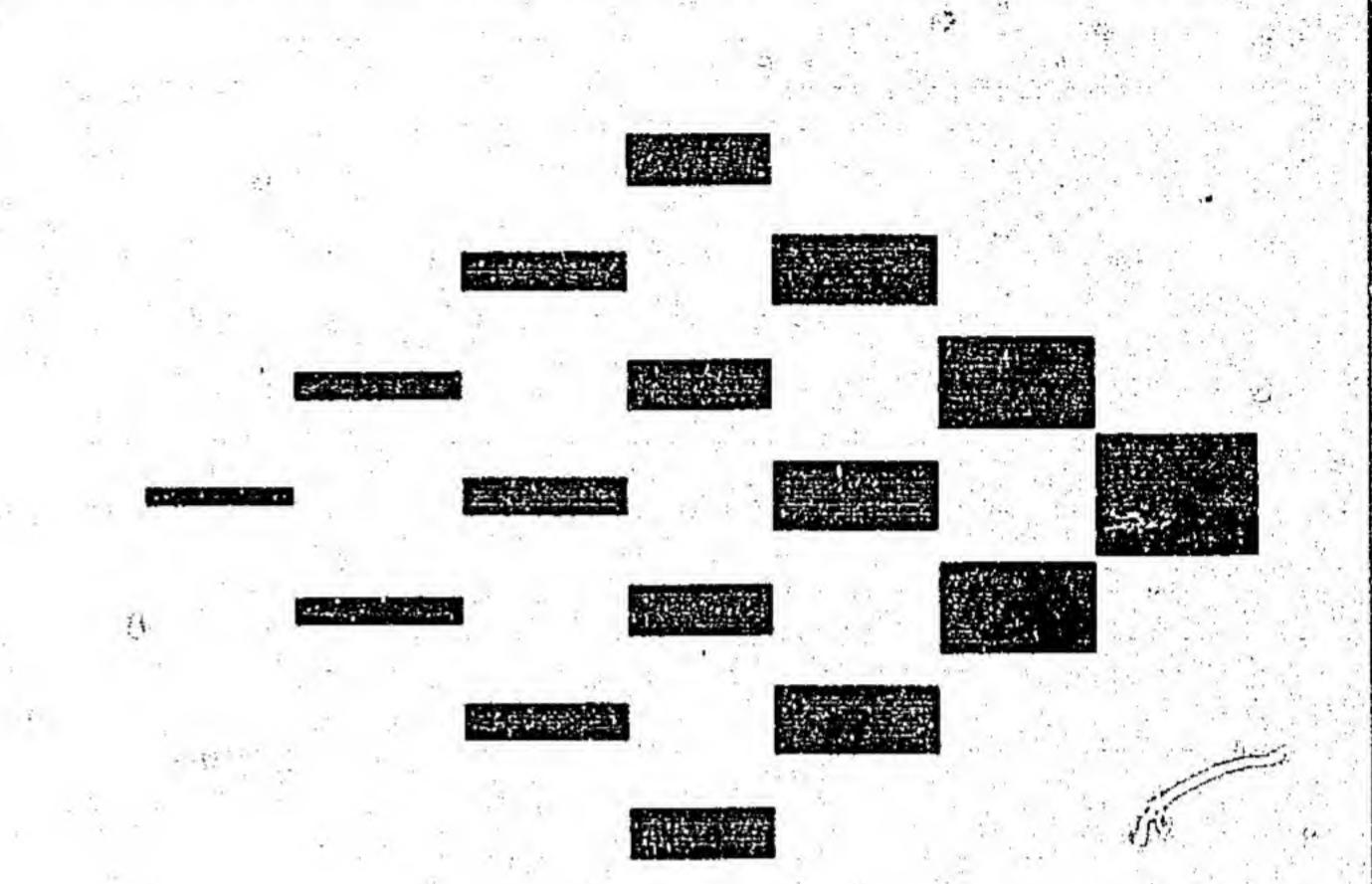
(In thousands)	1984	1983	1982
Cash from continuing operations		\$ 55,385 65,796	\$ 40,510 59,515
Depreciation and amortization	72,278		24,946
Deferred income taxes	345	25,532	(2,600)
Cains on sale of joint venture interests, net of income taxes		(8,644)	(2,000)
Coins on retirement of debentures, net of income taxes,		(1,284)	(7,956)
evoluting gains attributable to the finance subsidiaries		(15,304)	(15,929)
Equity in undistributed earnings of finance subsidiaries			
	99,753	121,481	98,486
Cash from continuing operations including depreciation and deferred taxes	4,654	22,078	17,369
Cash from discontinued operations, including depreciation and a \$29,850	265,150		
from continuing operations arnings from continuing operations epreciation and amortization eferred income taxes ains on sale of joint venture interests, net of income taxes ains on retirement of debentures, net of income taxes, excluding gains attributable to the finance subsidiaries quity in undistributed earnings of finance subsidiaries from continuing operations from discontinued operations, including depreciation and deferred taxes a proceeds from sale of Waldenbooks, net of income taxes of \$29,850 mencing Net increase in notes payable ssuances of long term debt ssuances of redeemable preferred stock essuances of common stock Retirements of common stock Retirements of common stock Redemption of nonredeemable preferred stock Redemption of nonredeemable preferred stock Redemption in long term debt and capital lease obligations	369,557	143,559	115,855
Financing	41,089		
	50,000	15,000	86,466
Issuances of long term debt	300,000		
Issuance of redeemable preferred stock	14,182	66,530	36,358
Issuances of common stock	(478,611)		
Retirements of common stock	(5,740)		
Redemption of nonredeemable preferred stock	(18,880)	(78,695)	(80,442)
Reductions in long term debt and capital lease obligations			42,382
Net cash provided (used) by financing	(97,960)	2,835	42,362
	(107 204)	(90,100)	(129,469)
Store property and equipment purchased	(107,284)	41,545	44,190
Properties sold	1,350	11,5.5	
Dividends from finance subsidiaries of	13,542		
prior years' earnings			(05 270)
	(92,392)	(48,555)	(85,279)
	(12.00()	(20 (00)	(27,880)
	(43,096)	(30,680)	(11,570)
Cash dividends reinvested in common stock	(7,033)	(12,774)	
	(50,129)	(43,454)	(39,450)
		(4.5.400)	/2 OOE\
	30,783	(10,492)	(3,985)
	(137,356)	(94,574)	(46,143)
Merchandise inventories	44,515	77,083	68,283
Accounts payable and accrucu nations	(12,004)	(00.033)	/FE 021
	(45,189)	(20,837)	(55,821)
	(119,251)	(48,820)	(37,666)
	\$ 9,825	\$ 5,565	\$ (4,158)
Cash increase (decrease)			

Consolidated Statement of Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity

Carter Hawley Hale Stores, Inc.

Carter Hawley Hale Stores, Inc.	Shares issued		Par value			
(Dollar amounts in thousands)	Non- redeemable preferred	Common	Non- redeemable preferred	Common	Other paid-in capital	Accumu- lated earnings
Balance, January 30, 1982	901,920	28,920,203	\$ 4,510	\$144,601	\$192,048	\$305,880
Net earnings		, - a				49,025
Cash dividends						
Common stock						(37,778)
Nonredeemable preferred stock						(1,672)
Issuances of common stock in exchange for debentures		1,357,991		6,790	10,635	
Issuance of common stock under Dividend Reinvestment						
and Stock Purchase Plan	0.8	385,197		1,926	2,912	
Issuance of common stock to Profit Sharing Plan		1,074,545	e lan lan	5,373	8,722	
Conversion of nonredeemable preferred stock	(90,031)	151,888	(451)	759	(308)	
Balance, January 29, 1983	811,889	31,889,824	4,059	159,449	214,009	315,455
Net earnings						67,485
Cash dividends				3.00		
Common stock	10 mm	The same of the same of				(41,979)
Nonredeemable preferred stock						(1,475)
Issuance of common stock	- 1	2,475,000		12,375	38,757	
Issuance of common stock under Dividend Reinvestment						
and Stock Purchase Plan		275,996	7 7 7 7	1,380	3,966	
Issuance of common stock to Profit Sharing Plan		389,249	e e e	1,946	5,563	
Conversion of nonredeemable preferred stock	(102,253)			863	(352)	
Exercise of stock options	17 30	137,975		690	1,853	
Balance, January 28, 1984	709,636	35,340,572	3,548	176,703	263,796	339,486
Net earnings						89,670
Cash dividends		-				
Common stock				3 3	, .	(23,052
Nonredeemable preferred stock			* V3:	141	41 7 44	(71
Redeemable preferred stock			Y	10	9:15	(27,006)
Issuance of common stock under Employee Stock Ownership		05.500				¥.
Benefit Plan	1	95,500		477	1,696	4 1 1
Issuance of common stock under Dividend Reinvestment					2 402	
and Stock Purchase Plan		155,555	1 50	778	2,403	
Issuance of common stock to Profit Sharing Plan		263,846		1,319	3,819	/250 222
Retirement of common stock	/F02 070	(17,952,700	500 TO 100 TO 10	(89,763)	(130,516)	(258,332
Conversion of nonredeemable preferred stock	(582,070			4,911	(2,000)	/2 402
Redemption of nonredeemable preferred stock	(127,566		(637)	000	(1,621)	(3,482
Exercise of stock options Foreign overspay translation adjustment		181,890		909	2,781	141
Foreign currency translation adjustment		*		tan tan	4.	/2 120
Cumulative adjustment—beginning of year Current year adjustment						(3,139
		Targo antico e e e				(1,600
Balance, February 2, 1985		19,066,877	\$ —	\$ 95,334	\$140,358	\$112,474

At February 2, 1985, authorized preferred stock consisted of 5 million shares, \$5 par value, and authorized common stock consisted of 60 million shares, \$5 par value.



Carter Hawley Hale 1984 Annual Report Nineteen eighty-four was an eventful year that saw the company face some of the most important decisions in its history.

It began with a solid performance in the first quarter, which gave us six consecutive quarters of growth in sales, operating income, and net income. It included an unsolicited tender offer for the company from The Limited, Inc., in early April, which led to a series of actions that changed the capital structure of the company, and were taken to protect the inherent long term value of our shareholders' investment. It included a special shareholder meeting in July where these actions were, in effect, ratified by an overwhelming vote of our shareholders. It included the completion of our restructuring program, which has positioned us for growth in sales and earnings per share for the next several years. And the year concluded with a strong improvement in our performance over the last six months, on an operating basis, which bodes well for the future of the company.

The Tender Offer

Most of the attention your company received during the year was a direct result of the unsolicited tender offer. This offer was rejected by the board of directors as inadequate in mid-April, after careful consideration and evaluation by our independent board members, financial advisors, and legal counsel. The fundamental judgment of the board was that the inherent values of the company, after taking into account the restructuring program initiated in 1980, positioned Carter Hawley Hale for earnings growth in the immediate future and beyond. The board then authorized three key actions: 1.) The issuance of one million shares of convertible preferred stock to General Cinema Corporation for \$300 million; 2.) The granting of an option to General Cinema to purchase Waldenbooks for \$285 million; and 3.) The repurchase of approximately half of our common stock on the open market for an aggregate cost of approximately \$479 million.

By issuing the convertible preferred shares to General Cinema Corporation, we were able to acquire a long term investor that believed in the growth potential of the company. At the same time, this transaction provided us with \$300 million in cash, which we used to repurchase

repurchasing these shares, we were able to offer those investors who wished to sell their shares an alternative to The Limited's inadequate tender offer, while protecting the interests of our long term investors. We believe those investors who sold their shares to us were mostly arbitrageurs and other market professionals, based on the activity in our stock after The Limited's surprise announcement in the press and the normal dynamics of a tender offer situation. And while General Cinema chose not to exercise its option for Waldenbooks, we were later able to sell this division to K mart Corporation for \$295 million, or about 24 times our net earnings from this division in 1983. This provided us with more cash to pay for the stock repurchase program.

Your board and management believed these actions were in the best interests of all of our shareholders and would permit us to continue to build strong future values for them. Events since April are proving your board's actions were correct.

At the special meeting in July, these actions were, in effect, ratified by an overwhelming vote of our share-holders. On that day, our stock closed at 19.

Since then, Carter Hawley Hale has performed, on an operating basis, at the improved level foreseen by the board. For the six month fall season ended February 2, 1985, earnings from continuing operations before interest expense, income tax, and nonoperating items improved 30 percent, while our sales increased 19 percent.

In addition, our earnings from continuing operations for the period, excluding nonoperating items, improved 26 percent. On a fully diluted earnings per share basis, earnings from continuing operations before nonoperating items were \$1.31 per share compared with \$1.00 in the prior year period, despite one of the most promotional Christmas selling seasons in more than a decade. But most importantly, the performance of our stock has also improved. On the last trading day of our fiscal year, our stock reached a high of 27 and closed at 26%. We foresee further improvements in our operating performance in 1985 and are committed to bringing the inherent values of the company into place for the benefit of our shareholders.

Store Modernization and Openings

Store modernization continues to receive a high degree of attention. During 1984, \$45 million was spent on modernization projects throughout the company's divisions. We

essentially completed the improvements we had planned for Bergdorf Goodman, our prestigious specialty store on Fifth Avenue in New York City, adding 21,000 square feet of selling space and dramatically updating the store's interior. These changes contributed to an improvement in sales and profits for this division in 1984. We also completed the improvements at our Neiman-Marcus store in Northpark, Texas, where we added a third floor of selling space.

In 1985, we will continue to focus considerable attention on this aspect of our operations and plan to spend approximately \$44 million on store modernization projects.

During 1984, we also continued to carefully expand our franchises. Neiman-Marcus entered the Boston metropolitan area in February with the opening of its store at Copley Plaza. Emporium Capwell had the most successful opening in its history with its new store at Vallco Fashion Park in Cupertino, California. And Contempo Casuals maintained its aggressive expansion by opening 26 stores. At year end, Contempo Casuals operated 105 stores in 11 states.

During the coming year we will be even more active in this area. Neiman-Marcus will enter the Palo Alto, California market; The Broadway-Southern California will open another store in San Diego, California; The Broadway-Southwest will open two stores in Denver, Colorado; and Thalhimers will open a store in Roanoke, Virginia, and add a second store in Charleston, South Carolina. In addition, we plan to open 30 more Contempo Casuals during 1985.

Executive Changes

Company management was strengthened by a number of key executive appointments during 1984 and early 1985. Richard P. Hauser, was appointed a vice president of the company after serving as chairman and chief executive officer of John Wanamaker since 1978. Richard L. Boje, formerly chairman and chief executive officer of Weinstock's, assumed the position of chairman and chief executive officer of John Wanamaker, and Cheryl Nido Turpin, president of Weinstock's, was given the added responsibilities of chief executive officer for that division.

In early April 1985, Howard N. West, executive vice president and chief financial officer, retired after 32 years of valued service. We are fortunate that he will continue to lend us his insight and support as a consultant to the company.

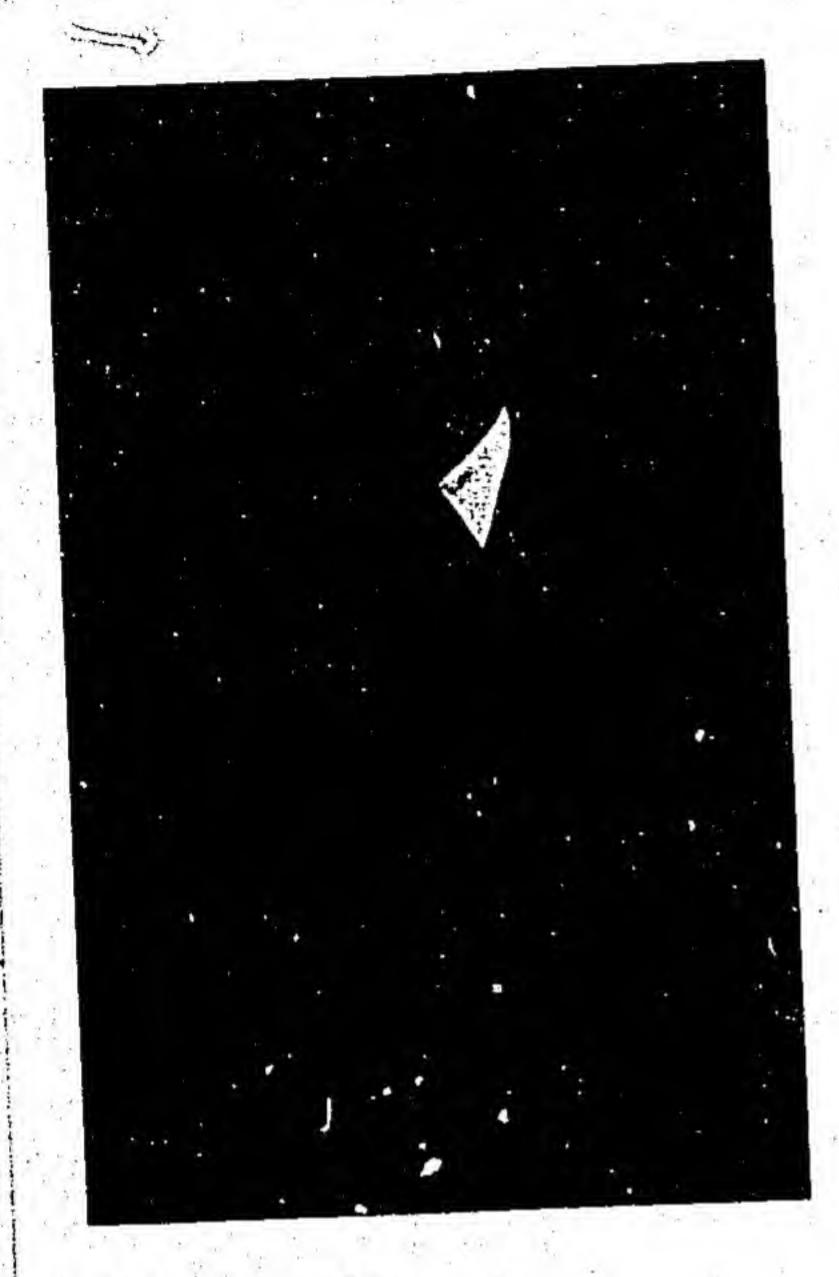
John M. Gailys, who was promoted from vice chairman of Neiman-Marcus to executive vice president, finance and operations, for the company in 1984, has assumed Mr. West's duties as chief financial officer. Edward S. Waterbury, who had served as vice president, control, was promoted to senior vice president, control. And Brian L. Fleming, who was promoted from director of corporate accounting to corporate controller in early 1984, has since been appointed vice president, accounting.

In addition, Harry Levitt, director, investment analysis, was appointed vice president, finance; Dale G. Thune, director, property and sales tax, and assistant treasurer, was appointed vice president, property and sales tax; John F. Busey, director, treasury operations, was appointed treasurer; D. Clair Brumbaugh, director, income tax, was appointed vice president, income tax; Larry Petersen, director, planning and analysis, was appointed vice president, planning and analysis; Francis T. Phalen, treasurer, was named vice president, shortage controller; and Walter W. Tuthill, general auditor, was appointed vice president, general auditor.

We are pleased that these positions could be filled by people long associated with Carter Hawley Hale, and believe this demonstrates the high level of talent we are able to draw on from within the company.

During the year, three valued members of our board of directors—J. Hart Lyon, an executive vice president of the company, Robert Di Giorgio, chairman of Di Giorgio Corporation, and Jerome W. Hull, retired chairman of Pacific Telephone and Telegraph Company—retired from the board and have become honorary directors. We are pleased that their wise counsel will continue to be available to the company.

We also added seven new directors to our board:
William L. Brown, chairman and chief executive officer
of Bank of Boston Corporation; Samuel Frankenheim,
senior vice president and general counsel of General
Cinema Corporation; J. Atwood Ives, vice chairman and
chief financial officer of General Cinema; Herbert W.
Jarvis, president and chief executive officer of Sybron
Corporation; Richard A. Smith, chairman and chief
executive officer of General Cinema; Robert J. Tarr, Jr.,
president and chief operating officer of General Cinema;
and Hugo Uyterhoeven, Timken Professor of Business
Administration at the Harvard Graduate School of
Business Administration.



Philip M. Hawley Chairman and Chief Executive Officer

Outlook for 1985 and Beyond

Carter Hawley Hale's management is committed to becoming the leading fashion retailer in the country and is positioned to begin delivering on the investment we have made in improving our operations and merchandise offerings. Our focus is on the middle and upper income customer living in high growth geographic areas. This population segment has been experiencing an increase in its spending power over the last few years and is predicted to continue to do so. They enjoy the unique experiences and values associated with shopping at our prestigious department and specialty stores, and recognize that quality, service, and price are important considerations in their buying decisions.

In subsequent pages of this annual report, we outline the strategies we have put in place which are helping us build our business. These strategies fit together to enable us to gain a competitive edge through improved productivity and better merchandise selections. Our customers have responded positively to our new direction, justifying our optimism for the future.

Forecasts for the coming year indicate that the economy should continue to grow and that consumer spending will be at very good levels. We intend to take advantage of this situation and believe that 1985 is going to be a very good year for the company. Our future is brighter than ever.

This letter would be incomplete without acknowledging those who have contributed so much to the company during this difficult year—our dedicated 56,000 associates. On behalf of our shareholders, I wish to thank them for the dedication they have shown to the company under extremely trying circumstances. I also want to take this opportunity to express my personal appreciation for the support, spirit, and enthusiasm they demonstrated during the year. I am proud to be associated with them.

Sincerely,

April 8, 1985

Philip M. Hawley.

Review of Operations

Carter Hawley Hale Stores, Inc.

The Carter Hawley Hale of today is a more competitive force in the retail field than the company that existed in 1980, the year we began our restructuring program. With the completion of the inventory currency program in mid-1984, we finished this program and positioned the company for significant growth in sales and earnings per share. We believe we now have a competitive edge over other retailers, an edge our shareholders will enjoy over the next several years.

In 1980, completing a decade of growth from acquisition and merger, we faced the need to reevaluate the company as a whole in order to be more integrated in policy direction, more market-driven, and more customeroriented. After thorough research and evaluation, strategies were developed that predicted to position us as a more effective competitor with strong future growth potential. These initial strategies involved:

1. Restructuring three major department store divisions, which meant consolidating Emporium and Capwells in northern California and dividing our largest business, The Broadway, into two parts, one serving southern California and the other to serve Arizona, Colorado, Nevada, and New Mexico;

2. Establishing a corporate marketing department to provide trend identification and important consumer market analysis reporting for our merchants;

3. Organizing a product development office to develop proprietary merchandise unique to Carter Hawley Hale, and to supply centralized buying services for our divisions;

4. Launching a massive effort to develop systems, equipment, and technology that would put our company and its managers in the forefront of the industry by 1985.

The implementation of these strategies involved time, money, and energy, and took longer to complete, in certain instances, than we anticipated. But their value and contribution to the streamlining of our operations and the reduction of expenses soon became apparent.

While the above strategies addressed our operational needs, we realized we also needed to redirect our merchandising programs for our largest business segment—our department stores. In essence, we decided that Carter Hawley Hale needed to undergo a complete cultural change in our approach to merchandising.

In late 1982, we launched an all-encompassing program to address these needs. Today, our store marketing and





Gaining competitive edge

Development of quality merchandise that earns our stores customer loyalty requires unique styling, excellent workmanship, and competitive, value-based pricing.

At our Market Services
division in New York City,
130 professional and support personnel work with
merchants from our store
divisions to improve market
share by identifying opportunities relating to target
customers, merchandise
trends, and worldwide
resources. Market Services'
large-scale purchasing pro-

grams produce major economies for the company. Our own private-label merchandise offers excellent opportunity for further growth.

Shoppers base their perception of quality on how well a product performs, its durability, and longevity. In developing exclusive merchandise for our customers, we are able to provide design control and product testing that ensure quality and enhance the reputation of our stores.

merchandising strategies have been strongly redirected so that we have become more value- and customer-driven.

Inventories, our largest physical asset, have been built up so that we now offer the customer what we believe are the widest selections available. We did not however, simply add merchandise to the sales floor. We identified those departments that offered us the opportunity to dominate a business, in effect to become the primary source for these goods in the minds of our customers, and built wide selections accordingly.

Conversely, we identified and began to eliminate those departments where we could not predict to be able to compete as effectively as other retailers, or which did not meet our long-term standards for profit. This allowed us to convert this store space into more profitable departments offering wide selections of merchandise.

But offering wide selections was only part of the redirection we decided to take. These selections had to be fresh and up-to-date in order to satisfy the rapidly changing desires of today's customer.

We established new standards and guidelines on markdowns to bring this about and implemented our inventory currency program over 1983 and 1984. We believe we are now offering our customers some of the freshest merchandise available in most departments, and are generally ahead of the industry currency average in other departments. The outstanding growth in sales Carter Hawley Hale has experienced over the last two years is evidence of our customers' favorable response to this strategy decision.

Competitive pricing was another area we addressed. We are now committed to being competitively priced in all the merchandise offered through our department stores. To do this, we have combined the merchandising talents of our buyers with the latest in high technology, with the result being that we are buying, pricing, and managing our inventories more efficiently.

In essence, the objective of these strategies is to hold down expenses while generating higher sales volume per square foot of store space through improved productivity. We have articulated this throughout every level of our organization, and division management performance is now evaluated in terms of their successful application of these stated marketing and merchandising strategies.

The improvements in our operations are becoming apparent. Through January 1985, we have produced 25 consecutive months of double-digit sales increases, a per-





Sending clear signals

Effective use of expansion capital is exemplified in our highly successful Emporium Capwell store opened in 1984 in Cupertino, California, in a mall patronized by an affluent customer base.

Following its purchase from another company in 1983, we implemented a "headquarters" approach to merchandising that has helped us achieve 50 percent more sales volume than the store's previous owner. Headquarters merchandising gives our customers a clear signal of depth, assortment, value, and dependability. For example, the juniors department is a store within a store, with two

own well marked exterior entrance from the mall.

Carter Hawley Hale's corporate marketing department assists divisions in identifying key growth opportunities so that departments with high profit potential can be given more space and their buyers can make more accurate purchasing decisions.

Departments such as designer apparel, shoes, cosmetics, accessories, domestics, housewares, and electronics send strong fashion and value signals and serve as "magnets" to draw customers to our stores as the first choice for a satisfying and exciting shopping experience.

formance that is one of the best in the retail industry. In addition, operating expenses as a percentage of sales have been reduced, with further reductions planned for 1985.

Instituting such strategies on a company-wide basis was a complex task. Likening the company to a huge ship, making a substantial change in course required gradual turns of the wheel and sufficient time to see the results. Much of the progress we have made is the result of the creation of two new divisions within the past few years: Market Services, based in New York City, and Information Services, based in Anaheim, California.

Market Services' mission is to help the company's stores profitably increase market share through more effective marketing and merchandising, principally through the development of exclusive private-label merchandise and large scale purchasing programs. Market Services' staff also provides divisions with extensive market research on fashion trends and consumer preferences, and develops worldwide resources for the manufacture of merchandise to the exact quality and style specifications that division buyers know their customers want.

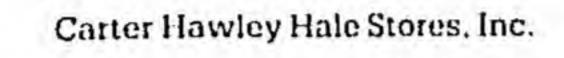
In 1984, Market Services nearly doubled the volume of merchandise developed for divisional needs. This merchandise, including such company brand names as Cassis, Cadaz, and Neil Martin, not only differentiates our stores from competing stores and gives our customers compelling reasons to shop with us, but also allows us the ability to lower our merchandise costs through the large economies of scale that we realize when we buy in concert for all of our divisions.

Information Services, which provides data processing and systems development for the company's divisions, has been called the "arteries" of Carter Hawley Hale. Because this division services a network of nearly 270 stores from a central location, it eliminates redundancies and standardizes reporting methods, thereby facilitating the flow and exchange of information from which all of our people can benefit.

We have invested heavily in time and money to develop common languages and mutually beneficial data systems for our divisions. These common systems generally fall within four categories: merchandising, credit, human resources, and finance. We are now high up on the "learning curve" of invention and are implementing these systems and extrapolating new and more precise applica-













Stimulating customer response

One of the most important purchasing motivators— aside from service and the merchandise itself—is how well the merchandise is displayed. Stores that we opened or remodeled during the past two years are designed to hold considerably more merchandise than older stores, and demand high standards to be met for visual display.

Successful merchandise presentation involves the proper space allocation, lighting, color, fashion suggestion through the use of mannequins and wall displays, and mirrors that make customer self-appraisal easy. Thalhimers' new store in the Mall of Memphis, opened in 1983, has quickly become one of the top sales

achievers in the division's network of 25 stores by skill-fully executing the principles of successful visual presentation.

Good ideas flow when divisions work together to achieve goals. Corporate and divisional store planners tour new and remodeled stores so that they can mutually benefit from proven, innovative design and visual presentation techniques.

Visual presentation staff members conduct seminars for trainees in the company's management development program so that, early in their retail careers, they can develop an understanding of the critical importance of visual presentation.

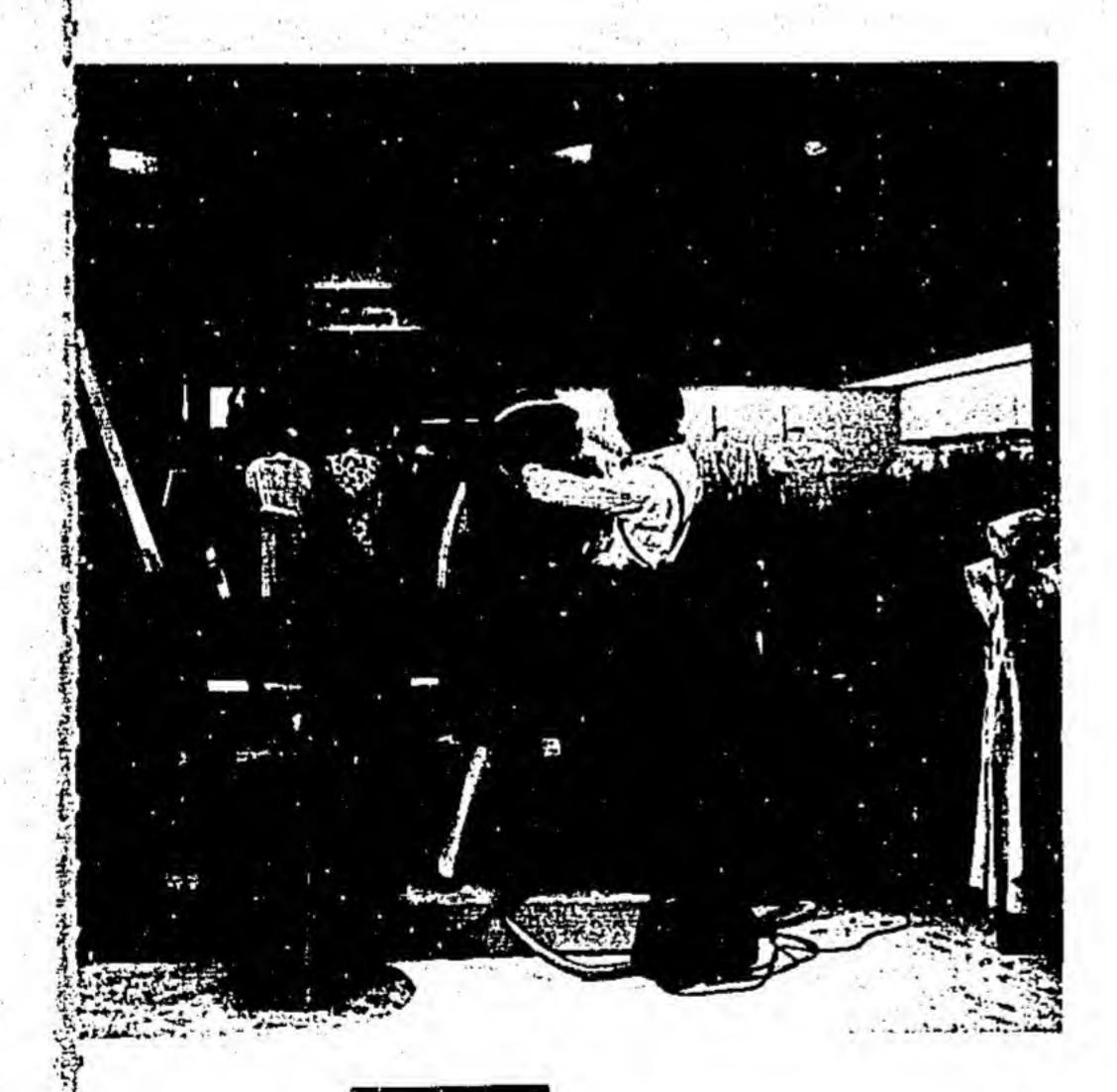
tions directed at serving our customers better, curbing costs, and improving profits. And the mastery of these systems is no longer confined to the mystery world of the computer experts. We believe in putting technology, and the information it can supply, at the fingertips of the people who need to make decisions—the "knowledge workers"—our buyers, department managers, and so on, up to senior management.

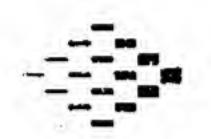
For example, our credit management system, now in use in all divisions, has eliminated the need for phone calls to the store credit offices to check on the status of accounts, thereby improving customer service. In addition, it has enabled us to sharply reduce uncollectable customer charge accounts.

In another area, human resource systems have greatly facilitated the implementation of commission selling in our stores, a compensation method that also encourages better customer service. The value of merchandise sold by each sales person is automatically captured by our point of sale terminals and transmitted to the payroll system.

On the other hand, our inventory management systems are an example of how we use technology to offer our customers fresh merchandise. These systems enable us to determine how much of a given item has been in each store for how long a time. They not only allow us to take timely markdowns on slow moving merchandise, but also help us determine when and in what quantities we should reorder fast selling merchandise. By improving our stock management techniques through the use of technology and good merchant talent, we are improving the productivity of our largest asset, our inventories. Improvement in our productivity of assets is a key component in our program to improve the return on shareholder investment.

Both Market Services and Information Services are helping our merchants make accurate decisions about what the customer wants, whether we are providing it, and, if not, what we must do to position ourselves to do so. This takes form in more cost-effective operations—by enabling our merchants to monitor inventories and sales trends, to analyze their buying status with vendors, and to make corrections in a timely manner that will improve their gross margins. It takes form through access to new and different





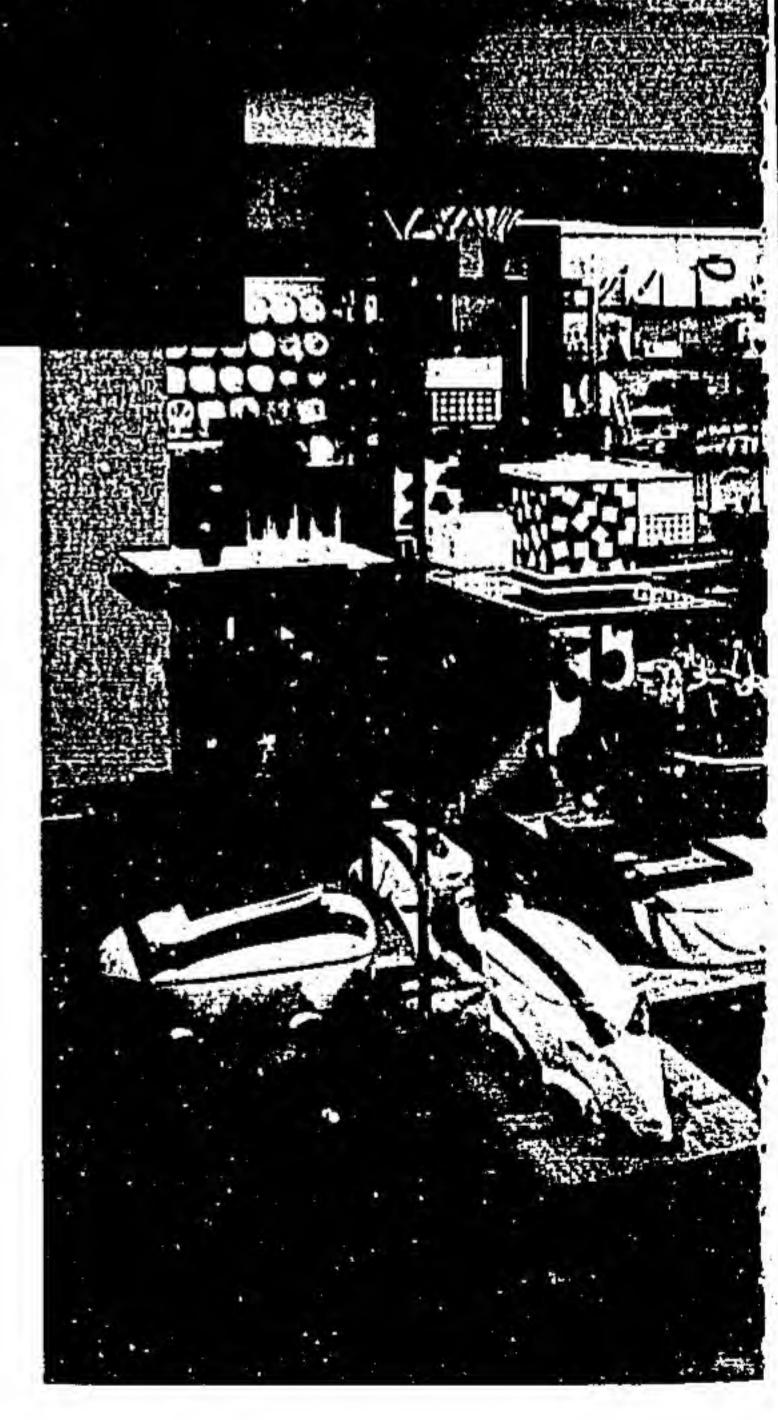












Improving productivity

Neiman-Marcus's 20-yearold NorthPark store in suburban Dallas was one of the division's most profitable stores even prior to its remodeling in 1984.

With a new third floor added to its previous two levels, it has become an example of Carter Hawley Hale's commitment to improve the productivity of assets and achieve higher profitability by making better use of the equity we have built up in existing stores. The new floor adds 43,600 square feet of selling space for high gross margin merchandise like china, silver, and gifts, and frees up space on the original two floors for expansion of apparel lines.

Customers in our stores can access a bridal and gift registry data base stored at our Information Services division in Anaheim, California, by merely touching the screen of a display terminal in response to the computer's questions. Within minutes, they receive printouts indicating the current status of items to be purchased on their friends' "wish lists."

Carter Hawley Hale is
always on the lookout for
synergistic opportunities
among its divisions. At
Emporium Capwell's
Oakland store, customers
shopping in the "Good Buy"
basement department can
find attractive values in lettover merchandise from
Neiman-Marcus's stores.
Thus, company unity in
working toward common
goals pays off in benefits
that accrue to the customer,

wholesale markets and through the resulting differentiation of our merchandise. It takes form in fresh and plentiful inventories that send a clear signal to customers seeking dependability and fashion opinion from our stores.

Visual presentation also plays a large role in the achievement of our objectives and is another area of our operations that has dramatically improved. Stores opened within the past two years were designed so that they can hold significantly more merchandise than older existing stores with the same interior space. Walkways are designed to pull customers toward important focal points of merchandise. And because the walkways are located toward the center of the store, rather than its periphery, merchandise departments are at each side of the shoppers, giving them an unobstructed view to a depth of 30 feet. The most recent applications of this concept are at Emporium Capwell's stores in Hayward and Cupertino, California. Both stores had been owned by another company prior to our purchase and interior redesign. Each is generating more than 50 percent more sales volume than their previous owners had been able to achieve.

Creation of more selling space—both horizontally and vertically, through the effective use of walls that keep merchandise within reach but allow for creative presentation of fashion ideas—permits merchants to establish dominant merchandise classification "headquarters." Departments like shoes, handbags, blouses, men's shirts, better dresses, domestics, and electronics can be developed with full inventories to offer the widest selections available in a given market, thereby acting as magnets to draw customers to our stores. When a customer looks at our merchandise assortments we want that customer to think, "If I can't find it here, I probably can't find it anywhere."

Our market research activities are designed to determine how we can attract greater numbers of shoppers to our stores and how we can increase the customer's spending per shopping trip. We have analyzed our target customer segments and the factors that influence their shopping decisions. We focus our efforts on segments of the consumer market with the largest discretionary income, generally in the middle and upper income groups. We know that today's shoppers are increasingly adept at seeking the best value for themselves, and that they define value in terms of price, quality, fashion, and service—not just price alone. This is especially true for our prime target—the "updated" customer—who is a maturing "baby boomer," younger than the average customer, significantly better educated, earning well above the average income, and





Providing our customers with excellence

Improving customer convenience was a major objective in the renovation and restoration of Bergdorf Goodman on New York's Fifth Avenue.

With the completion of the first phase of the store's modernization program, customers have escalators to transport them quickly between the store's seven floors, and, by the end of 1985, 50 percent more selling space will have been created in which to send the best fashion message with a large quantity of visibly displayed merchandise.

The store attracts a broad spectrum of fashionconscious shoppers with an ambience where traditional coexists with contemporary.

Understanding those customers led to unconventional location assignments for men's apparel, with the main floor department focused on the exciting and rapidly changing trends in men's sportswear, and the second floor devoted to tailored clothing and men's furnishings. Arriving by escalator, customers are greeted by the very elegant Charvet shirt shop, inspired by the original in Paris, and the outspoken British fashion statement of Turnbull & Asser.

The high level of personal service in our specialty stores is the standard we have set for our department stores to emulate. New computer technology performs many manual tasks, giving sales staff more time to attend to our customers.

probably part of a dual-career white-collar employed couple. The "updated" customer's taste is right for the times and moves with the times. He or she enjoys the shopping experience and believes it is important to dress well both professionally and socially. This customer spends an estimated 50 to 75 percent more on apparel and items for the

home than other shoppers.

Among the many merchandising opportunities the updated customer presents, we have identified career wear for both men and women, dual purpose apparel for both work and late day social occasions, active and athletic wear, home textiles and electronics. We project that within the next five years, this customer segment will account for as much as half of total department store sales.

Having the right merchandise for our customers is only part of the equation in our kind of retailing. Customer service is the other part. Carter Hawley Hale's Neiman-Marcus division has an outstanding history of providing the finest customer service in the industry. We are now using this experience to improve customer service in our department store divisions. Today's shoppers expect knowledgeable sales assistance and a broad range of store services to make their shopping experience time-saving as well as

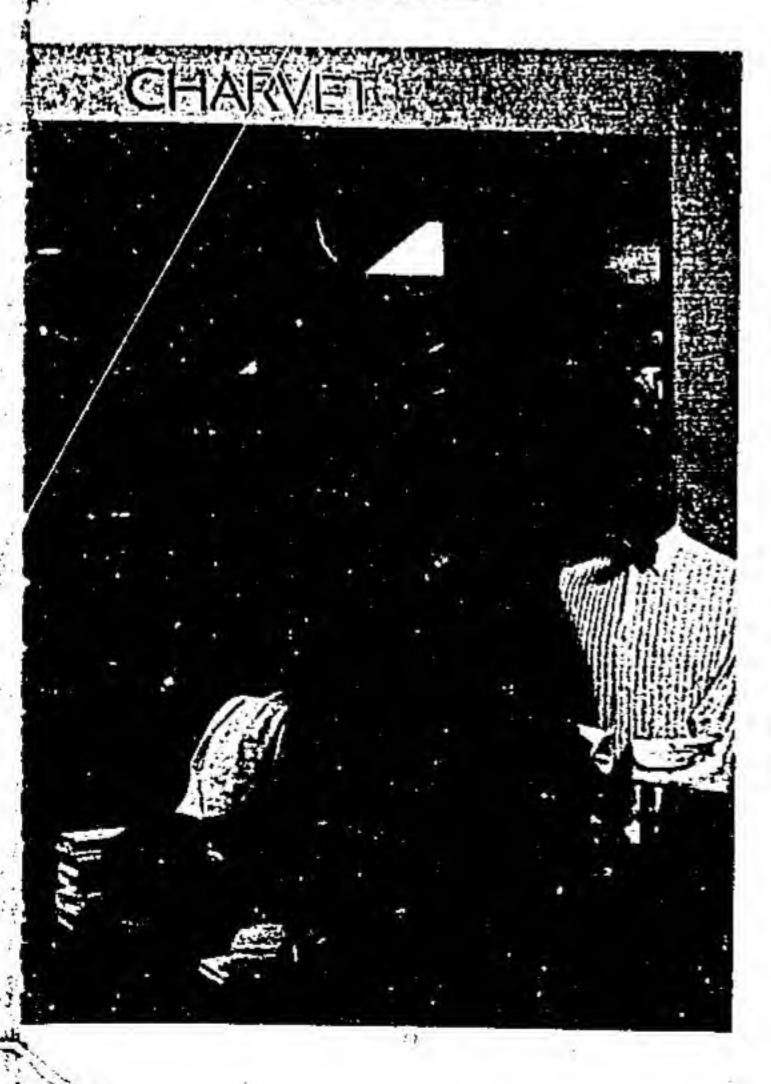
enjoyable.

Our major strategies work together to make this possible. The technology we have put in place makes current data on inventories immediately accessible, thus freeing the salesperson's time from manual stock counts, markdowns, and inter-divisional merchandise transfers, so more time can be spent with customers. To encourage and reward high sales achievement, in 1984 we piloted individual and group incentive programs in several divisions where such programs had not been previously used. Training programs have been strengthened and higher standards for employment and retention have been put in place. In all divisions, goals have been set for increasing the proportion of fulltime to part-time sales support, an important factor in improving the productivity of sales people.

In summary, major steps have been taken to improve our operations. We have successfully completed a major organizational restructuring program and revamped our merchandising strategies to compete more effectively in the retail environment of the 1980s. Our customers have recognized the improvements we have made and responded positively. We are confident that the long-term value of our shareholders' investment has improved and that we are prepared to meet the challenges the future holds

for Carter Hawley Hale.







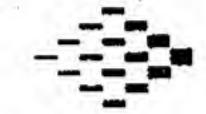
Five Year Divisional Summary



Carter Hawiey Hale Stores, Inc.

	Information or of woor and) = 1	9 2 2	
	Information as of year end. Gross store space in thousands of square feet.	1984	1983	1982	1981	1980
Department Stores	The Broadway—Southern California					
	Number	40	40	40	40	40
	Store space	6,971	6,971	6,971	7,052	7,058
	The Broadway—Southwest					
	Number	10	10	10	9	9
	Store space	1,609	1,609	1,609	1,472	1,472
	Emporium Capwell				To the second	art.
	Number	22	21	20	20	19
	Store space	5,246	5,065	4,934	4,927	4,746
	Thalhimers	F 1 0 0				
	Number	25	26	25	25	24
	Store space	2,445	2,507	2,373	2,373	2,252
	John Wanamaker					
	Number	16	16	16	16	16
	Store space	4,356	4,356	4,356	4,356	4,356
•	Weinstock's					
	Number	12	12	12	12	12
	Store space	1,935	1,935	1,935	1,935	1,929
	Total Department Stores					
	Number	125	125	123	122	120
	Store space	22,562	22,443	22,178	22,115	21,813
Co Je. Co	D 1 CO 1					in y
Specialty Stores	Bergdorf Goodman		4.0			
	Number	250	250	1	1	1
	Store space	250	250	250	250	250
	Contempo Casuals					
	Number	105	79	66	51	45
	Store space	429	323	274	215	190
	Holt Renfrew					45
	Number	16	17	17	18	18
4.0	*Store space	538	546	500	504	504
	Neiman-Marcus					
	Number	21	20	18	16	13
	Store space	3,106	2,944	2,622	2,347	1,995
	Total Specialty Stores		4			
	Number	143	117	102	86	77
	Store space	4,323	4,063	3,646	3,316	2,939
	Total Operations	240	0.40	225		
	Total Operations Number Store space	268 26,885	242 26,506	225 25,824	208 25,431	197 24,752

Management's Discussion and Analysis of Results of Operations and Financial Condition



Carter Hawley Hale Stores, Inc.

Results of Operations

The Company achieved record sales in 1984. Sales were \$3.7 billion for the year, an increase of 20.1 percent compared with increases of 19.7 percent in 1983 and 4.2 percent in 1982. On a comparative store basis, sales increases for the last three years were 15.7 percent, 15.6 percent, and 2.1 percent. Sales for the fourth quarter were \$1.3 billion, an increase of 18.9 percent over last year.

Management believes that the effect of inflation on the above sales gains is approximated by the Department Store Inventory Price Index published by the Bureau of Labor Statistics (BLS Index). The

BLS Index increased 1.0 percent in 1984, 2.7 percent in 1983, and 2.8 percent in 1982.

Net earnings were \$89.7 million in 1984, \$67.5 million in 1983, and \$49.0 million in

Net earnings were \$89.7 million in 1984, \$67.5 million in 1983, and \$49.0 million in 1982, resulting in increases over the prior year of 32.9 percent, 37.7 percent, and 9.5 percent. Fully diluted earnings per share were \$2.72 in 1984, \$1.90 in 1983, and \$1.53 in 1982. In July 1984, the Company sold the Waldenbooks division. Earnings from continuing operations were \$27.1 million in 1984, compared with \$55.4 million in 1983 and \$40.5 million in 1982, resulting in a decrease of 51.0 percent in 1984 and increases of 36.7 percent in 1983 and 3.0 percent in 1982. In order to understand better the Company's operating earnings trends, management believes it is helpful to examine earnings from continuing operations before interest expense, nonoperating income, and income taxes. These earnings were \$160.0 million in 1984, \$154.9 million in 1983, and \$139.6 million in 1982, resulting in increases of 3.3 percent in 1984, 11.0 percent in 1983, and 2.2 percent in 1982.

The rate of earnings increase in 1984 was affected by the costs to complete the Company's inventory currency program during the second quarter of 1984 and by the intense promotional activity in the 1984 Christmas season which resulted in above-normal markdowns. These effects were partially offset by a LIFO credit which was primarily due to lower inflation, increased inventory levels, and increased markdowns.

The six-month Spring Season 1984 marked the Company's completion of major restructuring of operations and changes in merchandising strategies. The results for the six-month Fall Season 1984 reflected a return to favorable earnings trends. Fully diluted earnings per common share from continuing operations before nonoperating income were \$1.31 in Fall 1984 compared to \$1.00 in Fall 1983.

The major factors affecting earnings in 1983 were improved operating profits of specialty stores, and a significant decline in the ratio of expenses to sales due to sales growth and improved expense management. These improvements were partially offset by lower operating profit of department store operations, due to lower gross margin ratios.

Interest expense was 3.1 percent of sales in 1984, compared with 3.0 percent in 1983 and 3.8 percent in 1982. The increase in 1984 was due to higher average short term borrowings, primarily for working capital purposes, and higher average short term interest rates.

Nonoperating income consisted of costs relating to the unsolicited tender offer in 1984 and gains on the sale of joint venture interests and retirement of debentures in 1983 and 1982.

The effective income tax rate was 23.9 percent in 1984, compared with 30.4 percent in 1983 and 22.3 percent in 1982. The decrease in the effective income tax rate in 1984 was primarily due to lower pretax earnings in relation to the level of investment credit and ESOB Plan credit and to the effect of the tender offer costs in 1984. These effects were partly offset by capital gains benefits in 1983. The increase in the effective income tax rate in 1983 was primarily due to the effect of nontaxable gains on exchange of common stock for debentures in 1982 and the lower level of investment credit in 1983, partly offset by higher 1983 capital gains benefits.

Reference is made to the Ten Year Financial Summary for historical information.

Financial Condition

The Company and its finance subsidiaries utilize internally generated funds and short and long term borrowings to finance working capital needs, principally for accounts receivable and inventories.

Actions taken by the Company in response to the unsolicited tender offer by The Limited have resulted in certain changes to the balance sheet during the year. In April 1984, the Company purchased 17,952,700 shares of its common stock for \$478.6 million and sold one million shares of redeemable preferred stock to General Cinema Corporation for \$300.0 million. In July 1984, the Company sold its Waldenbooks division to K mart Corporation for \$295.0 million. Also in July 1984, the Company redeemed the outstanding shares of its nonredeemable preferred stock for \$5.7 million.

In October 1984, the Company and Credit Corp. entered into a \$500 million Credit Agreement, which replaced the revolving credit agreements then in effect. At February 2, 1985, no amounts were borrowed under the Credit Agreement. The Company and Credit Corp. also share unsecured lines of credit totaling \$180.0 million at February 2, 1985, of which \$96.8 million were available for additional borrowing.

Charge account term modifications during the last three years to increase the minimum monthly payment on charge accounts, the minimum purchase on long term revolving accounts, and finance charge rates have reduced the cost of credit and significantly increased receivables turnover.

Cash flow has been improved through ongoing programs involving inventory turnover, cash management, reduction of surplus investments, and improved management of other asset and liability accounts.

The Company finances its capital expenditure needs through a combination of internally generated funds from operations, access to debt markets, property financings, and additional equity. During 1984, capital expenditures for new store space, store modernization, and support facilities and equipment were \$107.3 million, compared with \$90.1 million in 1983. During 1984, the Company opened one department store and 27 specialty stores.

During the next five years, the Company anticipates investing approximately \$700 million for new store space, remodeling projects, and modernization. Less than 45 percent of the capital expenditure plan is committed.

Consolidated Statement of Earnings



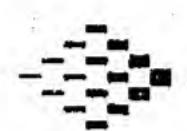
(In thousands, except per share data)	.,	1984		1983	1	1982
Sales	\$3	,724,294	\$3	,101,682	\$2,	590,650
Costs and expenses					14	
Cost of goods sold, including occupancy and buying costs	2	,702,055	. 2	,240,404	1.	851,566
Selling, general, and administrative expenses		862,272		706,368	30	599,493
Interest expense and discount, net	4	117,237		92,345	*	99,237
	3	,681,564	3	,039,117	2	550,296
Earnings from continuing operations before nonoperating income and income taxes		42,730		62,565	(T)	40,354
Nonoperating income					D	
Costs relating to unsolicited tender offer	HI.	(7,100)	0, 3,			
Gains on sale of joint venture interests	1			12,768		3,850
Gains on retirement of debentures) , :		4,252		7,956
		(7,100)		17,020) (11,806
Earnings from continuing operations before income taxes		35,630	,	79,585	1 .	52,160
Income taxes		8,500		24,200	7.F	11,650
Earnings from continuing operations		27,130	1/	55,385	1 9 1	40,510
Discontinued operations					-	
Earnings (loss) from operations, net of income taxes of (\$1,050), \$10,600 and \$6,450		(510)		12,100		8,515
Gain on sale of Waldenbooks, net of income taxes of \$29,850		63,050				673
		62,540		12,100		8,515
Net earnings	\$	89,670	\$	67,485	\$	49,025
Primary earnings per common share						
Continuing operations	\$		\$	1.57	\$	1.27
Discontinued operations	•	2.75	Ψ.	.36		.28
	\$	2.75	\$	1.93	\$	1.55
Fully diluted earnings per common share			-			
Continuing operations	•	.83	•	1.56	•	1.27
Discontinued operations	φ	1.89	φ	.34	Ψ	.26
	•	2.72	¢	1.90	¢	
	Ψ	2.12	4	1.50	Ф	1.53

Consolidated Balance Sheet



	(In thousands)	February 2, 1985	January 28, 1984
Assets	Current assets Cash Accounts receivable, net Merchandise inventories Other current assets	\$ 22,727 125,524 717,300 39,487	\$ 12,902 156,307 579,944 35,318
	Property and equipment, net Investment in finance subsidiaries Net assets of Waldenbooks Other assets	905,038 823,569 143,864 74,735	784,471 795,566 157,406 169,168 55,083
	Other dooets	\$1,947,206	\$1,961,694
Liabilities and Shareholders' Equity	Current liabilities Notes payable and current installments Accounts payable Accrued liabilities Dividends payable Current income taxes Deferred income taxes	\$ 50,370 285,466 134,562 5,983 16,933 99,648	\$ 10,478 246,800 128,713 11,134 8,283 108,525 513,933
	Long term debt Capital lease obligations Other liabilities Long term deferred income taxes	396,654 152,006 55,922 101,496	358,268 158,075 55,611 92,274
	Redeemable preferred stock, \$5 par value, stated at redemption value of \$300 per share Nonredeemable preferred stock, common stock, and other shareholders' equity Nonredeemable preferred stock, \$5 par value Common stock, \$5 par value Other paid-in capital Accumulated earnings	300,000 95,334 140,358 112,474	3,548 176,703 263,796 339,486
		\$1,947,206	\$1,961,694

Consolidated Statement of Changes in Financial Position



(In thousands)	1984	1983	1982
Cash from continuing oberations			1302
	\$ 27,130	\$ 55,385	\$ 40,510
	72,278	65,796	59,515
Deferred income taxes	345	25,532	24,946
Gains on sale of joint venture interests, net of income taxes		(8,644)	(2,600)
Gains on retirement of debentures, net of income taxes,		(0,0)	(2,000)
		(1,284)	(7,956)
Equity in undistributed earnings of finance subsidiaries		(15,304)	(15,929)
Cash from continuing operations	99,753	121,481	98,486
	4,654	22,078	17,369
Cash proceeds from sale of Waldenbooks, net of income taxes of \$29,850	265,150	*,	
ash from continuing operations Earnings from continuing operations Depreciation and amortization Deferred income taxes Gains on sale of joint venture interests, net of income taxes Gains on retirement of debentures, net of income taxes, excluding gains attributable to the finance subsidiaries Equity in undistributed earnings of finance subsidiaries Cash from continuing operations ash from discontinued operations, including depreciation and deferred taxes ash proceeds from sale of Waldenbooks, net of income taxes of \$29,850 inancing Net increase in notes payable Issuances of long term debt Issuances of redeemable preferred stock Issuances of common stock Retirements of common stock Redemption of nonredeemable preferred stock Reductions in long term debt and capital lease obligations Net cash provided (used) by financing apital investments Store property and equipment purchased Properties sold Dividends from finance subsidiaries of prior years' earnings Net cash used for capital investments ividend payments Cash dividends paid Cash dividends paid ther cash sources (uses) Accounts receivable Merchandise inventories Accounts payable and accrued liabilities Prepaid pension contributions Other, net	369,557	143,559	115,855
Financing			
Net increase in notes payable	41,089		The second
	50,000	15,000	86,466
	300,000		
	14,182	66,530	36,358
	(478,611)		
	(5,740)	**	
Reductions in long term debt and capital lease obligations	(18,880)	(78,695)	(80,442)
Net cash provided (used) by financing	(97,960)	2,835	42,382
Capital investments			
Store property and equipment purchased	(107,284)	(90,100)	(129,469)
	1,350	41,545	44,190
prior years' earnings	13,542		IF THE
Net cash used for capital investments	(92,392)	(48,555)	(85,279)
Dividend payments			
	(43,096)	(30,680)	(27,880)
Cash dividends reinvested in common stock	(7,033)	(12,774)	(11,570)
Total dividends paid	(50,129)	(43,454)	(39,450)
Other cash sources (uses)			
	30,783	(10,492)	(3,985)
Merchandise inventories	(137,056)	(94,574)	(46,143)
Accounts payable and accrued liabilities	44,515	77,083	68,283
Prepaid pension contributions	(12,004)		
Other, net	(45,189)	(20,837)	(55,821)
Net other cash uses	(119,251)	(48,820)	(37,666)
Cash increase (decrease)	\$ 9,825	\$ 5,565	\$ (4,158)
			,,,,,,,

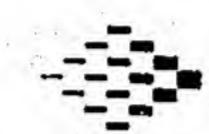
Consolidated Statement of Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity

Carter Hawley Hale Stores, Inc.

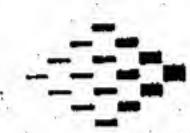
	Shares	issued	Par	value		
(Dollar amounts in thousands)	Non- redeemable preferred	*	Non- redeemable preferred		Other paid-in capital	lated
Balance, January 30, 1982 Net earnings	901,920	28,920,203	\$ 4,510			
Cash dividends			, , , ,		4172,010	49,025
Common stock		17			* GC 0	17,023
Nonredeemable preferred stock		•			to the second	(37,778
Issuances of common stock in exchange for debentures		71222	a or i			(1,672
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		1,357,991		6,790	10,635	
Issuance of common stock to Profit Sharing Plan		385,197	- 4	1,926	2,912	
Conversion of nonredeemable preferred stock	TEST CONTRACTOR	1,074,545		5,373		181
	(90,031)	151,888	(451)	759	(308)	
Balance, January 29, 1983 Net earnings	811,889	31,889,824	4,059	159,449		315,455
Cash dividends						67,485
Common stock	A		*	2.		
Nonredeemable preferred stock		,	2.9	25.00		(41,979)
Issuance of common stock			**))	* * **	(1,475)
Issuance of common stock under Dividend Reinvestment		2,475,000		12,375	38,757	
and Stock Purchase Plan		175 004	***	GREAT.		
Issuance of common stock to Profit Sharing Plan		275,996		1,380	3,966	The second of
Conversion of nonredeemable preferred stock	(102,253)	389,249	/= 1	1,946	5,563	
Exercise of stock options	. (102,233)	172,528	(511)	863	(352)	
Balance, January 28, 1984	709 636	35,340,572	2 5 4 0	690	1,853	
Net earnings	707,030	33,340,372	3,548	176,703	263,796	339,486
Cash dividends Common stock						89,670
Nonredeemable preferred stock						(23,052)
Redeemable preferred stock						(71)
Issuance of common stock under Employee Stock Ownership Benefit Plan		05.500			**	(27,006)
Issuance of common stock under Dividend Reinvestment and Stock Purchase Plan		95,500	-	477	1,696	
Issuance of common stock to Profit Sharing Plan		155,555	-91	778	2,403	
Retirement of common stock	/1	263,846		1,319	3,819	· ·
Conversion of nonredeemable preferred stock	(582,070)	7,952,700)	(2.244)	(89,763)	(130,516)	(258,332)
Redemption of nonredeemable preferred stock	(127,566)	982,214	(2,911)	4,911	(2,000)	
Exercise of stock options	(127,500)	181,890	(637)		(1,621)	(3,482)
Foreign currency translation adjustment		101,070		909	2,781	
Cumulative adjustment—beginning of year					1	
Current year adjustment						(3,139)
lance, February 2, 1985	_ 1	9,066,877	•			(1,600)
February 2, 1985, authorized preferred stock consists and and		,,000,0//	3 —	\$ 95,334	\$140,358	\$112,474

At February 2, 1985, authorized preferred stock consisted of 5 million shares, \$5 par value, and authorized common stock consisted of 60 million

Summary of Significant Accounting Policies



Basis of Reporting	The consolidated financial statements include the accounts of the Company and all subsidiaries except the finance subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. Pretax earnings of the finance subsidiaries, before noninterest items, are included in the Consolidated Statement of Earnings as a reduction of interest expense. Prior year finance charge income has been reclassified from sales to selling, general, and administrative expenses. The Company's Waldenbooks division was sold in July 1984 and, accordingly, has been accounted for as a discontinued operation in all periods presented.
Fiscal Year	The Company's fiscal year ends on the Saturday closest to January 31st. Fiscal year 1984 comprised 53 weeks and ended on February 2, 1985. Fiscal years 1983 and 1982 comprised 52 weeks and ended on January 28, 1984 and January 29, 1983.
Sales	Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.
Customer Accounts Receivable	An account is generally written off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment or if it is otherwise determined that the account is uncollectable.
Inventories	Merchandise inventories are valued at cost, which is less than market, as determined by the retail method on the last-in, first-out (LIFO) basis.
Property and Equipment	Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.
Depreciation and Amortization	Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the property and equipment or over the lives of the related leases, if such periods are shorter.
Store Preopening	Store opening and preopening costs are charged to selling, general, and administrative expenses during the year of the store opening.
Income Taxes	Income taxes are provided currently for all items included in the Consolidated Statement of Earnings regardless of when such taxes are payable. Deferred taxes related to current items arise principally from income on the balances due on installment sales. Deferred taxes related to noncurrent items result principally from accelerated depreciation. Income taxes are reduced currently for investment tax credits using the flow-through method.
Pensions	Pension plan expense is computed under accepted actuarial methods and includes amounts necessary to provide for current service costs, amortization of prior service costs principally over 30 years, and interest on unfunded amounts.
Earnings Per Share of Common Stock	Primary earnings per share are computed on the basis of the weighted average number of shares outstanding during the year, including dilutive stock options, after deduction of preferred dividend requirements. Fully diluted earnings per share are computed on the assumption that all of the outstanding convertible debentures and preferred stock were converted into common stock at the beginning of the year, or date of issuance if later, eliminating preferred dividend requirements and interest, less tax, on the convertible debentures.



Carter Hawley Hale Stores, Inc.

Company Operations

The Company is a retailer of merchandise through department stores and specialty stores. Department stores include The Broadway-Southern California, The Broadway-Southwest, Emporium Capwell, Thalhimers, John Wanamaker, and Weinstock's. Specialty stores include Bergdorf Goodman, Contempo Casuals, Holt Renfrew, and Neiman-Marcus. Financial information by operating group is as follows:

Casuals, Holt Renfrew, and Neimar (Dollar amounts in millions)	1-IVIAIC	1984	Percent of total		1983	Percent of total	, , , ,	1982	Percent of total
Sales Department stores Specialty stores		749.9	73.8%	\$2	,304.8 796.9	74.3% 25.7	\$1	,948.6 642.0	75.2% 24.8
Total	\$3	,724.3	100.0%	\$3	,101.7	100.0%	\$2	,590.6	100.0%
Operating profit Department stores Specialty stores	\$	111.6	52.9% 47.1	\$	118.0	59.0% 41.0	\$	130.6 47.1	73.5% 26.5
Specialty stores		210.9	100.0%		199.9	100.0%		177.7	100.0%
Corporate expense, net Interest expense and discount		51.0 117.2		3	45.0 92.3		34	38.1 99.2	
Earnings from continuing operations before							11		
nonoperating income and income taxes Nonoperating income		42.7)		62.6 17.0			40.4 11.8	
Earnings from continuing operations before income taxes		\$ 35.6			\$ 79.6			\$ 52.2	

Net corporate expense includes administrative and general expenses relating to corporate finance, personnel, real estate and construction, legal, and investment functions.

Sales gains by operating group and by quarter were as follows:

Saics gams by operating	19	984	. 19	983	18	382
	All	Com- parative stores	All	Com- parative stores	All	Com- parative stores
Operating group Department stores Specialty stores Total	19.3%	16.9%	18.3%	16.9%	4.6%	3.2%
	22.3	12.5	24.1	11.6	3.1	(1.3)
	20.1	15.7	19.7	15.6	4.2	2.1
First quarter Second quarter Third quarter Fourth quarter	22.3%	18.9%	12.5%	7.8%	4.1%	2.0%
	20.6	17.4	19.2	15.2	3.7	1.1
	19.5	16.7	21.4	16.7	1.4	(.3)
	18.9	12.3	23.4	19.8	8.2	4.5.

Assets employed and depreciation and amortization expense by operating group and corporate were:

(Dollar amounts in million	ns)	5.	107	1984	of total		1983	Percent of total		1962	of total
Assets at year end	V ₅ .	194	. 4	A	, , ,)					* * *
Department stores	i de la	*	\$1	,122.8	57.7%	\$1	,018.7	56.8%	\$	987.2	59.3%
Specialty stores			3-	561.7	28.8	Y	479.6	26.8	4	413.8	24.8
Corporate		ŷ.		262.7	13.5		294.2	16.4		264.3	9 15.9
Total	700		\$1,	947.2	100.0%	\$1	,792.5	100.0%	\$1	,665.3	100.0%
Depreciation and amortization						*					
Department stores			\$	49.8	68.8%	\$	45.9	69.7%	\$	42.8	71.9%
Specialty stores		4		18.9	26.2	,	16.4	24.9	177	13.2	22.1
Corporate				3.6	5.0	,	3.5	5.4		3.5	6.0
Total	51 - 33-		\$	72.3	100.0%	\$	65.8	100.0%	\$	59.5	100.0%
							0	A COLUMN TO A COLU			

Corporate includes the corporate office, Information Services and Market Services divisions, and investments in finance subsidiaries. Corporate assets exclude investment in Waldenbooks in 1983 and 1982.

Discontinued Operations

In July 1984, the Company sold its Waldenbooks division to K mart Corporation for \$295.0 million in cash. The transaction resulted in a net of tax gain of \$63.0 million. K mart took over operations of Waldenbooks effective July 29, 1984.

Waldenbooks' sales for the six months ended July 28, 1984 were \$196.8 million and for the years ended January 28, 1984 and January 29, 1983 were \$417.8 million and \$357.1 million.

Interest Expense and Discount

Interest expense and discount, which includes interest expense attributable to the finance subsidiaries (see page 32), increased due to higher average short term borrowings and interest rates.

Components of net interest expense and discount are shown below:

1983 1982 1984 (In millions) Discount on customer receivables sold to the finance subsidiaries \$ 79.0 \$ 78.1 \$ 71.9 Pretax earnings of the finance subsidiaries, before (30.8)(28.3)(32.0)noninterest items. Interest expense attributable to the finance subsidiaries 43.6 47.3 47.0 Interest on long term debt 39.4 38.3 39,9 Imputed interest on capitalized lease obligations 13.2 13.9 Interest on short term debt Discount on customer receivables fold to banks (2.5)Interest income Capitalized interest (12.2)(6.2)(5.6)Interest expense attributable to discontinued operations (5.2) (9.5) (9.5)Interest expense and discount, net \$ 92.3 \$ 99.2 \$117.2

ment in downtown Los Angeles for \$8.8 million in cash 1986. The transaction resulted in a gain of \$12.8 million excess of face value and were classified as current at Janu	and \$33.1 million in 12 In February 1984, the lary 28, 1984. In 1982, t	1/4% Notes due in notes were sold s he Company sol	lightly in
\$1.7 million attributable to the finance subsidiaries. The	e 1982 gain of \$8.0 milli		
Taxes, including those of the finance subsidiaries, are su (In millions)	mmarized below:	1983	1982
Income taxes			
Federal	\$ 5.0	\$ (3.4)	\$(12.8
State			(.4
	8.2	(1.3)	(13.2
Deferred			
Federal	.9	125	21.5
State	(.6)	. 3.0	3.4
	.3	25.5	24.9
Total income taxes	8.5	24.2	11.7
Property taxes	25.7	22.2	21.8
Payroll taxes	56.1	46.2	41.2
Other	3.0	2.0	2.2
Tax expense	\$93.3	\$94.6	\$ 76.9
4	c n		4° W
			14
	1984	1983	1982
	\$.1	\$ (.2)	\$ 4.6
Excess of tax over financial depreciation	8.2	11.2	8.0
Deferred charges	1.6	3.3	3.8
	1.5	4.1	6.9
그는 그들은 그렇게 하는데 하는데 하는데 이 가입니다. 나이에 되는 일 때문에 그들을 가입니다. 그들은 그는 그렇게 나를 하는데 그렇게 되었다. 그리다 얼마나 먹었다.	(4.3)		
		1.4	. ,
Deterred compensation			(.)
			1
Other, net	(3.6)	. 3./	.4
Deferred income tax expense	\$.3	\$25.5	\$24.9
	ment in downtown Los Angeles for \$8.8 million in cash 1986. The transaction resulted in a gain of \$12.8 million excess of face value and were classified as current at Januventure interest in a real estate development, which results are considered in the subsidiaries of \$1.7 million attributable to the finance subsidiaries. The resulted from nontaxable exchanges of common stock for Taxes, including those of the finance subsidiaries, are sure (In millions) Income taxes Currently payable Federal State Deferred Federal State Total income taxes Property taxes Payroll taxes Other Tax expense Deferred income tax expense results from timing differ for tax and financial statement purposes. The sources of (In millions) Deferred gross profit on installment sales Excess of tax over financial depreciation Deferred charges Capitalized interest and other real estate costs Installment sale of joint venture interest Gains on purchases of debentures Deferred compensation Inventory valuation Other, net	ment in downtown Los Angeles for \$8.8 million in cash and \$33.1 million in 12 1986. The transaction resulted in a gain of \$12.8 million. In February 1984, the excess of face value and were classified as current at January 28, 1984. In 1982, to venture interest in a real estate development, which resulted in a gain of \$3.8 million on treiting the properties of the finance subsidiaries. The 1982 gain of \$8.0 million straight of the finance subsidiaries. The 1982 gain of \$8.0 million resulted from nontaxable exchanges of common stock for debentures. Taxes, including those of the finance subsidiaries, are summarized below: (In millions) Income taxes Currently payable Federal Fourthy taxes Fraperty taxes Fraperty taxes Fraperty taxes Fraperty taxes Fourthy for tax and financial statement purposes. The sources of these differences and to the millions Deferred charges Capitalized interest and other real estate costs Installment sale of joint venture interest Capitalized interest and other real estate costs Installment sale of joint venture interest Cains on purchases of debentures Deferred compensation Inventory valuation Other, net Cains on purchases of debentures Deferred compensation Inventory valuation Other, net Cains on purchases of debentures Deferred compensation Inventory valuation Other, net	Taxes, including those of the finance subsidiaries, are summarized below: (In millions) 1984 1983 Income taxes Currently payable Federal \$ 5.0 \$ (3.4) State \$ 3.2 (1.3) Deferred 9 \$ 22.5 Federal 9 \$ 22.5 State (.6) 3.0 Total income taxes 8.5 \$ 24.2 Property taxes 25.7 \$ 22.2 Payroll taxes 56.1 46.2 Other 3.0 2.0 Tax expense \$ 93.3 \$ \$94.6 Deferred income tax expense results from timing differences in the recognition of revenue and for tax and financial statement purposes. The sources of these differences and their tax effects to the text and financial statement purposes. The sources of these differences and their tax effects to the sources of tax over financial depreciation \$ 1.2 Deferred charges 1.6 3.3 Capitalized interest and other real estate costs 1.5 4.1 Installment sale of joint venture interest (4.3) 4.3 Cains on purchases of debentures 1.4

the transference where we will be a first or a second or the second of t

Income taxes as a percent of earnings before income taxes differed from the statutory federal income tax rate as set forth below:

(Dollar amounts in millions)	1984	Percent of pre-tax earnings	1983	Percent of pre-tax earnings	1982	Percent of pre-tax earnings
Federal income tax						
at statutory rate	\$16.4	46.0%	\$36.6	46.0%	\$24.0	46.0%
Investment credit	(4.9)	(13.8)	(8.8)	(11.0)	(6.0)	A 241
State income taxes	1.0	2.8	2.4	3.0		(11.6)
Capital gains benefit	10		(5.5)	(7.0)	(2.5)	3.2
ESOB Plan credit	(1.2)	(3.4)	(1.1)	(1.3)	(2.5)	(4.8)
Tender offer costs	(2.3)	(6.4)	(1.1.)	(1.5)	14	Yes a beginning
Nontaxable gain on exchange of common stock for debentures	,,	(0,				
Other, net		12.5			(3.7)	(7.0)
Other, net	(.5)	(1.3)	.6	.7	(1.8)	(3.5)
Income taxes	\$ 8.5	23.9%	\$24.2	30.4%	\$11.7	22.3%

Receivables and

Accounts receivable at year end were as follows: (In millions)		vi.
	1984	1983
Customer receivables	\$880.6	\$782.0
Notes and other receivables	26.9	54.7
	907.5	836.7
Less		
Customer receivables sold to finance subsidiaries (less \$62.3 and \$61.6	Ĭ.	**
withheld pending collection and settlement of discount)	561.0	554.7
Customer receivables sold to banks (less \$12.8 and \$7.9 withheld	20110	331.7
pending collection and settlement of discount)	207.8	114.2
Allowance for doubtful accounts	13.2	11.5
	782.0	680.4
Accounts receivable, net	\$125.5	\$156.3
The Component cells with a second with a		

The Company sells without recourse \$122.1 million of customer accounts receivable to a bank under a sales agreement which provides for the Company to maintain approximately the same level of outstanding receivables sold by making additional sales on a monthly basis. The Company may cease selling additional accounts receivable under this agreement on appropriate notice. On February 1, 1985, the Company sold, on a one-time basis, without recourse, an additional \$98.5 million of certain customer accounts receivable to another bank. Both agreements provide for the Company to continue to service the accounts receivable sold.

Customer receivables arise under credit plans provided by the Company at all divisions except Contempo Casuals, which accepts only third party credit cards. Credit sales under credit plans were 61.4 percent of sales in 1984, 60.4 percent in 1983 and 59.9 percent in 1982, excluding sales of Contempo Casuals. Uncollectable account losses, net of recoveries, were 1.2 percent of credit sales in 1984, 1.7 percent in 1983, and 1.8 percent in 1982.

Finance charge income on credit plans provided by the Company was \$109.5 million in 1984, \$97.1 million in 1983, and \$93.8 million in 1982 and is included in selling, general, and administrative expenses.

Inventories

Merchandise inventories at February 2, 1985, were \$717.3 million, 23.7 percent higher than at January 28, 1984. In 1984, the LIFO adjustment to cost of sales was a credit of \$17.2 million, compared with charges of \$1.8 million in 1983 and \$1.4 million in 1982. If all inventories had been valued on the first-in, first-out (FIFO) basis, they would have been higher by \$31.6 million at February 2, 1985, \$48.8 million at January 28, 1984, and \$48.0 million at January 29, 1983. The book basis of LIFO inventories of a purchased subsidiary exceeded the tax basis by \$10.9 million.

Leases

Company operations are conducted mainly in leased properties which include retail stores, warehouses, offices, and other facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods, except for Contempo Casuals leases which are generally for ten to fifteen years. Leases are generally at fixed rentals, except that certain leases provide for additional rentals based on sales in excess of predetermined levels.

Rent expense for each year was as follows:

Rent expense for each year was as re-	-0.14		1984	4 pr	1983		1982
(In millions)		\$	54.7	\$	49.4	\$	43.3
Minimum rent		1 1	8.4		5.8	1.5	4.5
Rent based on sales		S	63.1	\$	55.2	\$	47.6
Total rent expense							,

Future minimum lease payments are as follows:

Future minim	um lease pa	lyments are as lonows.	44° = 4		Capital leases		rating leases
(In millions)		131		\$	18.5	. \$	51.4
1985			23	•	18.1		51.8
1986			· ·	-	17.5		50.5
1987					17.4		50.4
1988					17.4		50.1
1989	. 3				230.9	1	,013.6
Thereafter				\$	319.8	\$1	,267.8
Total future n	ninimum le	ease coligations					
	, including	\$6.1 current portion of		\$	158.1	\$	336.

Present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory and administrative costs, at rates which approximate the lessor's financing costs at the inception of the lease.

Property and Equipment, Net

Property and equipment at year end were as follows:			
(In millions)		1984	1983
Land Buildings and improvements		\$ 62.4	\$ 56.1
Leasehold improvements		163.0	256.7 137.9
Fixtures and equipment Construction in progress		548.7	518.0
Leased property under capital leases, primarily buildings		32.2 223.1	24.1 224.6
Less accumulated depreciation and amortization		1,299.5	1,217.4
Owned property Leased property under capital leases		377.1 98.8	328.4 93.4
		475.9	421.8
Property and equipment, net	1.4	\$ 823.6	\$ 795.6

The Company's ongoing program of increasing efficiency in warehousing operations, closing nonproductive stores, and relocating older stores resulted in net credits of \$4.8 million in 1983 and \$3.4 million in 1982 which have been included in selling, general, and administrative expenses. Gains on the disposition of surplus real estate and facilities were offset by related disposition, relocation, and duplicate operating costs.

Capital expenditures during the year were as follows:

(In millions)	Department	Specialty	Corporate	-
1984			Corporate	Total
New stores Store modernization Support facilities and equipment	\$35.2 23.1 5.7	\$12.7 21.9 6.3	\$ 2.4	\$ 47.9 45.0
Total	\$64.0	\$40.9		14.4
1983		\$40.7	\$ 2.4	\$107.3
New stores Store modernization Support facilities and equipment	\$17.3 19.4 4.4	\$24.2 19.4 .6	\$ 4.8	\$ 41.5 38.8 9.8
Total	\$41.1	\$44.2	\$ 4.8	
1982		Ψ11.2	3 4.0	\$ 90.1
New stores Store modernization Support facilities and equipment	\$17.6 21.5 4.6	\$60.9 16.6 1.8	\$ 6.5	\$ 78.5 38.1 12.9
Total	\$43.7	\$79.3	\$ 6.5	\$129.5

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store modernization expenditures include renovating, expanding, and reequipping existing stores. Support facilities and equipment expenditures relate to office buildings, warehouses, and other nonstore outlays.

ong Term Debt	Long term debt at year end was: (In millions)	1984	1983
	Senior debt 5½-8¾ percent Notes due 1986-2008	\$ 44.9	\$ 51.6
	5½-8¾ percent Notes due 1760 2000	55.2	56.4
	9-9.95 percent Notes due 1986-2010	86.3	90.0
	11½-12½ percent Notes due 1986	50.0	
	13.45 percent Note due 1999 (rate renegotiable in 1991)	75.0	75.0
	91/8-9.45 percent Sinking Fund Debentures due 1988-2008	75.0	75.0
	11% percent Sinking Fund Debentures due 1991-2010 Other	3.3	3.3
		389.7	351.3
	43/4 percent Convertible Subordinated Debentures due 1987, convertible into common stock at \$41.50 per share	7.0	7.0
	Long term debt	\$396.7	\$358.3
Contingencies	Principal maturities of long term debt payable over the next five years are \$3.2 \$10.5 million, \$4.2 million, and \$5.6 million. Long term debt at February 2, 1 secured by property carried at \$150.7 million. The Company is a party to litigation relating to the offer by The Limited, Inc.	to purchase shanding its actions	ares of the and, in the
	\$10.5 million, \$4.2 million, and \$5.6 million. Long term debt at rebitary 2, a secured by property carried at \$150.7 million.	to purchase shanding its actions a material adversals actions also ts of operations.	ares of the and, in the se effect defendant in will not

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Retirement and Profit Sharing Plans The Company has several qualified noncontributory pension plans covering substantially all employees. An analysis of accumulated pension benefits and plan net assets, based on the latest available actuarial information prepared as of December 31, 1984 and 1983 is as follows:

(In millions)	1984	1983
Actuarial present value of accumulated plan benefits Vested Nonvested	\$123.7 9.0	\$101.0 7.8
	\$132.7	\$108.8
Net assets available for plan benefits	\$112.6	\$ 93.1

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.0 percent in 1984 and 1983.

The actuarially computed pension expense for the qualified plans, using an interest rate assumption of 9.0 percent in 1984 and 8.5 percent in 1983 and 1982, was \$7.5 million in 1984, \$9.4 million in 1983, and \$9.8 million in 1982. The effect of the change in interest rate assumption was to reduce pension expense by \$1.0 million. The Company's contribution policy resulted in contributions exceeding the amount expensed by \$10.7 million in 1984 and \$12.0 million in 1983. The additional contributions were made shortly after the end of each fiscal year and are reflected in the 1984 and 1983 net assets available for plan benefits. The Company's contribution policy is based on its program, begun in 1983 and expected to be completed in 1986, to increase net assets available for plan benefits to equal the actuarial present value of accumulated plan benefits. Pension contributions in excess of pension expense are being amortized to pension expense over the remaining actuarial amortization period.

The Company also has unfunded nonqualified pension plans for certain employees for which \$3.5 million was charged to expense in 1984, \$2.1 million in 1983, and \$1.6 million in 1982. The actuarial present value of accumulated benefits for these plans was \$26.6 million at February 2, 1985, of which \$14.1 million was vested, and \$16.0 million at January 28, 1984, of which \$10.2 million was vested. The value of book reserves for these plans was \$7.7 million at February 2, 1985 and \$6.1 million at January 28,

A contributory Profit Sharing Plan is available to substantially all domestic employees who have completed one year of service. The Company encourages employees to participate by allocating 3.0 percent of the Company's pretax earnings, as defined, to employees who participate in the Plan. Employee and Company contributions are used to buy shares of the Company's common stock at prevailing market prices. At February 2, 1985, the Plan held 6.3 million shares, representing 33 percent of the Company's common stock outstanding. The Company's contribution to the Plan was \$1.4 million in 1984, \$2.7 million in 1983, and \$1.8 million in 1982.

In 1983. the Company adopted a payroll-based employee stock ownership benefit plan (ESOB Plan) covering substantially all employees eligible under the retirement and profit sharing plans. The Plan is noncontributory and all eligible employees are fully vested for their share of the Companys' annual contribution which was \$2.3 million in 1984 and \$2.1 million in 1983. The Company receives a direct income tax credit for the amount of its contribution which is equal to ½% of the payroll of eligible employees.

The Company also paid social security taxes of \$44.5 million in 1984, \$37.5 million in 1983, and \$32.8 million in 1982, most of which may be regarded as an additional retirement benefit cost

Employee Stock Option Plans

The Company's stock option plans provide that key employees may be granted options to purchase the common stock of the Company at not less than the market price on the date of grant. Options may be exercised over a ten-year period beginning one year from the date of grant. At February 2, 1985, options for 1,514,917 shares were outstanding at prices ranging from \$13.25 to \$28.75 of which options for 814,851 shares were exercisable, including outstanding options for 549,850 shares with stock appreciation rights attached, of which 316,374 were exercisable. At January 28, 1984, options for 1,517,088 shares were outstanding.

Carter Hawley Hale
Finance Subsidiaries

The Company finances customer accounts receivable through its unconsolidated finance subsidiaries, Credit Corp., CHH Finance Corp., and Carter Hawley Hale Overseas Finance N.V. In addition to capital invested by the Company and accumulated earnings, the finance subsidiaries finance the purchase of customer accounts receivable through bank borrowings and debt issuances. The finance subsidiaries purchase the receivables at discounts sufficient to cover their fixed charges, principally interest expense, at least one and one-half times. Net earnings of the finance subsidiaries were \$16.5 million in 1984, \$15.3 million in 1983, and \$15.9 million in 1982. During 1984, dividends totaling \$30.0 million were paid to the Company by the finance subsidiaries. The combined balance sheet of the finance subsidiaries, which reflects the elimination of all intercompany items, is presented below:

(In millions)	February 2, 1985	January 28 1984
Assets		
Customer accounts purchased from Carter Hawley Hale Stores, Inc.,		
less 10 percent withheld pending collection and settlement of discount	\$561.0	\$554.7
ash and other assets	1.4	2.5
	\$562.4	\$557.2
Liabilities and Investment of Carter Hawley Hale Stores, Inc.		
Notes payable	\$ 50.0	\$ 14.0
Accrued liabilities	10.4	11.4
8.45 percent Notes due 1985-1997	25.0	25.0
9.75 percent Notes due 1986	50.0	50.0
11.75-12.00 percent Notes due 1985-1988	263.0	263.0
10.60-11.25 percent Capital Notes due 1985	13.1	28.4
8.95 percent Subordinated Notes due 1985-1991	7.0	8.0
Investment of Carter Hawley Hale Stores, Inc. (including \$54.9 and		
\$68.4 of accumulated earnings)	143.9	157.4
·	\$562.4	\$557.2

Redeemable Preferred Stock

In April 1984, the Company sold one million shares of a new series of Cumulative Preferred Stock, \$5 par value (Stock) to General Cinema Corporation for an aggregate purchase price of \$300.0 million. The Stock provides for cumulative annual dividends, carried an initial 13% dividend rate, which was reduced to 10% in August 1984, and entitles the holder to 11.11 votes for each share held. The Stock is currently convertible at the holder's option into 12,227,004 shares of common stock of the Company at a rate determined by dividing the redemption value by the conversion price, as defined. The current conversion price of \$24.536 is subject to change upon issuance or sale of common stock at less than the market value or the current conversion price. At February 2, 1985, the common stock market price was \$26.625.

The Stock has a \$300 per share redemption value and is redeemable, at the Company's option, in whole or in part, beginning April 15, 1989 with a premium decreasing from five to one percent of the redemption value payable on each redemption during the period April 15, 1989 through April 14, 1994. The Company is required on an annual basis, commencing in April 1990, to redeem 20% of the Stock then outstanding.

At February 2, 1985, five million shares of preferred stock have been authorized.

Nonredeemable Preferred Stock, Common Stock, and Other Shareholders' Equity

In April 1984, the Company purchased on the open market 17,952,700 shares of its common stock for \$478.6 million, including related costs.

At February 2, 1985, authorized common stock consisted of 60 million shares, \$5 par value, of which 12,395,797 shares have been reserved for issuance upon conversion of outstanding convertible securities, 1,620,079 shares have been reserved under the employee stock option plans, 1,990,870 shares have been reserved for purchase by the Profit Sharing Plan, and 1,232,325 shares have been reserved for issuance under the Dividend Reinvestment and Stock Purchase Plan.

In July 1984, the Company redeemed the remaining 127,566 shares outstanding of its \$2 Convertible Preferred Stock at \$45 per share. Prior to redemption by the Company, each share was convertible into 1.6875 shares of common stock. During 1984, 582,070 shares were converted, compared with 102,253 shares in 1983 and 90,031 shares in 1982.

Certain of the Company's debt agreements restrict the amount of accumulated earnings that may be distributed in dividends. At February 2, 1985, under the most restrictive of these covenants, \$87.5 million of accumulated earnings were available for the payment of dividends.

Dividends

Cash dividends per share of common stock were \$1.22 in each of the last three years (\$.305 each quarter) and totaled \$23.0 million, \$42.0 million, and \$37.8 million. Total dividends on common stock were 25.7 percent of net earnings in 1984, compared with 62.2 percent in 1983 and 77.1 percent in 1982. Excluding dividends reinvested in common stock of \$7.0 million in 1984, \$12.8 million in 1983, and \$11.6 million in 1982, dividends on common stock were 17.9 percent of net earnings in 1984, compared with 43.3 percent in 1983 and 53.5 percent in 1982. The Company has paid cash dividends on its common stock in each of the past 43 years.

Cash dividends on nonredeemable preferred stock were \$.58 per share in 1984, through the date of redemption, and were \$2.00 per share in 1983 and 1982 (\$.50 each full quarter). Cash dividends totaled \$.1 million in 1984, \$1.5 million in 1983, and \$1.7 million in 1982.

Cash dividends on redeemable preferred stock were \$27.0 million in 1984.

Dividend Reinvestment and Stock Purchase Plan

The Dividend Reinvestment and Stock Purchase Plan allows holders of common stock to elect to have their quarterly dividends reinvested in shares of the Company's common stock. The Plan also enables participants to make direct cash purchases of common stock at the market price.

Under the Plan, 155,555 shares were issued in 1984, compared with 275,996 shares in 1983 and 385,197 shares in 1982. At February 2, 1985, 1,857 common shareholders representing 2,057,935 total shares were participating in the Plan.

Foreign Currency Translation The Company's 1984 financial statements reflect the translation of the financial data of Holt Renfrew from Canadian to U.S. dollars pursuant to Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Additionally, sales, cost of goods sold, and selling, general, and administrative expenses for 1983 and 1982 have been restated for comparative purposes. The effect on net income for each year was not material. The cumulative translation adjustment reflected in accumulated earnings was \$4.7 million at February 2, 1985.

Inflation and Changing Prices (Unaudited) Increased levels of inflation during the past decade have had a significant impact on the U.S. economy. Inflation has led to greater price resistance on the part of consumers, particularly for those goods and services that have experienced the highest rates of price increases. The merchandise sold by general merchandise retailers has been subject to less price inflation than most of the goods and services measured by the Consumer Price Index, and, therefore, it is believed that the Company and similar retailers have encountered less resistance to increased prices than many other sectors of the economy. In addition, the Company has directed its merchandising efforts toward customers whose income levels provide them. It is believed that their spending patterns are less affected by inflation.

Steps have also been taken to limit the effect of inflation on the Company's operating expenses by staffing more effectively, reducing energy consumption, managing working capital more effectively, and giving increased attention to cost control and efficiency. Also, the Company has accelerated its efforts to improve productivity, particularly through greater use of data processing systems, including electronic point-of-sale devices, which have been installed in almost all stores. The Company is well protected against inflation in rentals of existing stores, since leases, other than for Contempo Casuals stores, generally are at fixed rates for terms of up to 30 years with renewal options for substantial periods.

The rate of inflation has declined substantially in the last three years, and favorable effects on operating expenses and interest rates have become evident. In addition, improvement in the Company's rate of sales growth during 1984, 1983, and the latter part of 1982 is believed to be due in part to the growth in consumer real incomes that has resulted from lower rates of inflation during that period.

Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices," requires that the effects of inflation on the Company be measured and disclosed by adjustment of the historical financial information for those items that are most affected by changing prices (i.e., inventories, property and equipment, cost of goods sold, and depreciation and amortization). Due to the complexities of measuring the effects of inflation, these disclosures are considered to be experimental in nature and should be viewed only as an attempt to estimate the approximate effects of inflation on the Company and not as a precise measurement.

The following financial information has been adjusted to reflect the current cost of purchasing or replacing certain assets used in operations. Inventory has been adjusted to the FIFO method of inventory valuation which approximates current cost. Inflation adjustments for property and equipment have been approximated by using current construction cost estimates, published building industry cost indices, and actual costs of recently completed stores and improvements. Depreciation and amortization expense inflation adjustment has been computed on the basis of historical depreciation methods and lives applied to inflation adjusted costs of property and equipment. Cost of goods sold inflation adjustment is not required since the LIFO method of inventory valuation used in the historical financial statements approximates current costs.

The Statement does not permit adjustments to income tax expense for the effects of inflation. The effective tax rate of 24 percent becomes 224 percent when adjusted for the effects of inflation, indicating the significant hidden impact of inflation on income taxes and emphasizing the need for taxation policies that give recognition to the effects of inflation.

1984 Earnings from (In millions, except per share data) Continuing Operations Earnings from continuing operations before income taxes, as reported \$ 35.6 Adjusted for Inflation Depreciation and amortization adjustment (31.8)(Unaudited) Earnings from continuing operations before income taxes, adjusted for inflation Income taxes Net loss from continuing operations adjusted for inflation \$ (4.7) Earnings (loss) per share from continuing operations adjusted for inflation \$ (1.40) The preceding table indicates that the effects of inflation when calculated as prescribed by the Statement may have had a negative impact on earnings. However, inflation also affects monetary assets, such as cash or receivables, and liabilities to others. The following table shows the effects of inflation including the purchasing power gain from net monetary liabilities: (In millions, except per share data) Net loss from continuing operations, as above \$ (4.7) Purchasing power gain from net monetary liabilities Net earnings from continuing operations adjusted for inflation and purchasing power gain from net monetary liabilities \$ 26.1 Earnings (loss) per share from continuing operations adjusted for inflation and purchasing power gain from net monetary liabilities \$ (.04) Decrease for the year in current cost of inventories and property and equipment * \$ (38.5) General inflation effect on change in current cost Decrease in current cost net of general inflation \$(109.3) *At February 2, 1985, current cost of inventories was \$748.9 million and current cost of net property and equipment was \$1,243.3 million. (In millions, except per share and Consumer Price Index data) Five Year Comparison of 1984 1983 1982 1981 Selected Financial Data Net sales using Adjusted for Inflation CPI-U \$3,724.3 \$3,232.2 \$2,787.2 \$2,828.4 \$2,898.3 (Unaudited) **BLS** index 2,662.8 (In average 1984 dollars) Historical cost information adjusted for inflation Net earnings (loss) from continuing operations (4.7)Earnings (loss) per share from continuing operations (1.40)Net assets at year end 1,088.1 1,343.1 1,254.8 1,325.0 Other information Purchasing power gain from net monetary liabilities 30.8 34.1 29.2 62.6 Excess of increase in general price level over XXXX increase in current cost 109.3 (43.5)90.2 53.2 Cash dividends per common share 1.31 Market price per common share at year end 261/4 221/8 165/8 243/8

312.0

299.4

290.0

274.2

Average Consumer Price Index

249.1

Company Report on Responsibility for Financial Statements The integrity and objectivity of the financial statements, including estimates and judgments inherent in the preparation of financial information and the selection of appropriate accounting principles, are the responsibilities of the Company, as is all other information included in this Annual Report.

The Company maintains a system of internal accounting controls, supported by documentation, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company. Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. The Company believes its system of internal accounting controls, augmented by its internal auditing function, appropriately balances the cost/benefit relationship. The system provides for the prevention or detection of material errors and has been implemented and supported by written policies and guidelines, the internal audit function, a division of responsibility in organizational arrangements, and the selection and training of qualified personnel.

The financial statements have been examined by our independent accountants in accordance with generally accepted auditing standards in order that they might render their independent professional opinion, which is presented below. To express their opinion, independent accountants develop and maintain an understanding of the accounting and financial systems and controls, conduct tests, and employ such related audit procedures as they consider necessary.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent accountants, management, and internal auditors to discuss accounting principles, financial and accounting controls, the scope of the annual audit, internal audit, and other matters. Management's selection of independent accountants is reviewed by this committee and the independent accountants and the internal auditors have complete access to it, without management present, to discuss results of their audit and their opinions on adequacy of internal controls, quality of financial reporting, and any other matters of interest.

Report of Independent Accountants

To the Directors and Shareholders of Carter Hawley Hale Stores, Inc.

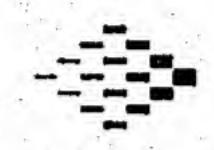
400 South Hope Street Los Angeles, California 90071 March 29, 1985

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In our opinion, the accompanying consolidated balance sheet and related consolidated statements of earnings, changes in financial position and nonredeemable preferred stock, common stock and other shareholders' equity present fairly the financial position of Carter Hawley Hale Stores, Inc. and its consolidated subsidiaries at February 2, 1985 and January 28, 1984, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended February 2, 1985, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Quarterly Information (Unaudited)



Carter Hawley Hale Stores, Inc.

(In millions, except per share data)	oʻn Oʻn	First	Second	Spring	Thi		Fourth	Fall	Year
1984	11	11 1		1 , 11	1 3 1 4 9 2 C	2.			
Sales	57	44.5	\$789.9	\$1,534.4	\$874	7	\$1 315 2	\$2,189.9	¢3 724 3
Cost of goods sold, including occupancy and	1	13.5		Ψ1,001,1	Ψ0/1.		Ψ1,515,2	\$2,107.7	\$3,724.3
buying costs	. 5	32.4	605.7	1,138.1	619	6	944.4	1,564.0	2,702.1
Selling, general, and administrative expenses	1	77.8	180.7	358.5	210.		292.9	503.8	862.3
Interest expense and discount, net	A series	23.3	32.0	55.3	29.		32.0		117.2
Pretax earnings from continuing operations	4					t'm	0		
before nonoperating expense		11.0	(28.5)	(17.5)	14.	3	45.9	60.2	42.7
Nonoperating expense	0		(7.1)	(7.1)					(7.1
Pretax earnings from continuing operations	3	11.0	(35.6)		14.	3	45.9	60.2	35.6
Income taxes	100	3.7	(13.8)		5.		13.3	18.6	8.5
Earnings from continuing operations	4 2	7.3	(21.8)	and the second second	9.		32.6	41.6	27.1
Discontinued operations, net of tax		100					22.0		
Earnings (loss) from operations		1.2	(1.7)	(.5)				1 2 1	(.5
Gain on sale			63.1	63.1			e man in part		63.1
Net earnings	\$	8.5	\$ 39.6	\$ 48.1	\$ 9.	0	\$ 32.6	\$ 41.6	
Primary earnings per share	02	100	1 1 1	The same			200		
Continuing operations before nonoperating expense	S	.17	\$(1.61)	\$ (.94)	\$ 0	5	\$ 1.29	\$ 1.35	¢ 05
Nonoperating expense	. •	***	(.05)	(.04)	Ψ	3	Ф 1.27	φ 1.33	\$.05
	-10-00	.17	(1.66)			_	1.20		(.05
Discontinued operations		.04	(1.00)		.0	5	1.29	1.35	
Gain on sale		.04	3.33	(.02)	e		-		(.02
				2.39		٠			2,77
	\$.21	\$ 1.58	\$ 1.39	\$.0	5	\$ 1.29	\$ 1.35	\$ 2.75
Fully diluted earnings per share		=1				, ,	246		
Continuing operations before nonoperating expense			\$ (.66)				\$ 1.03	\$ 1.31	\$.86
Nonoperating expense		2.10	(.03)	41					(.03)
			(.69)				1.03	1.31	.83
Discontinued operations			(.05)				1.05	1.51	(.02)
Gain on sale			2.00			ч			1.91
	\$	*	\$ 1.26	¢ .	¢ .	17	\$ 1.02	6 121	
	4	-	Ψ 1,20	<u> </u>	Φ +	- 1	φ 1.U3	\$ 1.31	\$ 2.72

^{*}Fully diluted earnings per share are anti-dilutive and are not shown.

										*				
(In millions, except per share data)	q	First		econd		Spring		Chird arter	7	Fourth		Fall		Yea
1983	10						7,						20	i i i
Sales	S	608.9	•	654 8		1,263.7	\$7	22 1	•	105.0	•			
Cost of goods sold, including occupancy and buying costs		AL, F					Ψ/	JZ.1	ÞΙ	,105.9	•	1,838.0	\$3	5,101.7
	4.9	431.3		474.5		905.8	5	20.8	4	813.8		1,334.6	2	2,240.4
Selling, general, and administrative expenses	1 44	147.3	* 1	149.3	1	296.6	1	82.6		227.2	,	409.8	* .	706.4
Interest expense and discount, net	(%)	23.2		23.3	Se 5	46.5	3 4	22.8	14.1	23.0		45.8	Y	92.3
Pretax earnings from continuing operations	1.	1 41		*				, :				1.7		
before nonoperating income	-	7.1		7.7		14.8	4.0	5.9	+ T	41.9	100	47.8	Y	62.6
Nonoperating income				20			200	1.4		15.6		17.0	4	17.0
Pretax earnings from continuing operations		7.1		7.7		14.8	0	7.3		57.5		64.8		79.6
Income taxes		2.1		3.6		5.7		2.2		16.3		18.5	33	24.2
Earnings from continuing operations	-	5.0		4.1		9.1		5.1)	41.2	17.	46.3	· ·	55.4
Earnings from discontinued operations, net of tax		1.2		.6	2.00	1.8		.6	1 - 7	9.7	e de T	10.3	Ty.	12.1
Net earnings	\$	6.2	\$	4.7	\$	10.9	\$	5.7	s	50.9	\$	56.6	\$	67.5
Primary earnings per share		10.0			K-	1.00			one:	- a 5	-		<u>-</u>	07.5
Continuing operations before nonoperating income	S	.14	•	11	\$	25	•	44	•	00	•			
Nonoperating income	Ψ	,17	Ф	.11	Ф	.25	Þ	.11	\$.89	5	1.00	\$	1.26
					_			.02	1	.30		.32	. L	.31
Discouling		.14		.11		.25	-	.13		1.19		1.32	· .	1.57
Discontinued operations		.04		.02		.06		.02	100	.28		.30		.36
	\$.18	\$.13	\$.31	\$.15	\$	1.47	\$	1.62	•	1.93
Fully diluted earnings per share		_			-		_		-	****	*	1.02	Ψ.	1.75
Continuing operations before nonoperating income	•	15	•		•	~							14. 14.70	The state of
Nonoperating income	Ф	.15	Þ	,11	Þ	.26	\$.11	\$.89	\$	1.00	\$	1.26
· · · · · · · · · · · · · · · · · · ·		-						.02		.28		.30		.30
		.15		.11		.26		.13		1.17		1.30	ı	1.56
Discontinued operations		.03		.02		.05		.02		.27		.29	-1	.34
	\$.18	\$.	.13	\$.31	\$.15	\$	1.44	\$	1.59	\$	1.90
			-						_		_		_	

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(In millions, except per share data)		First		cond	Sprin	ng q	Third puarter		Fourth quarter		Fall		Year
1982	,					* · ·	- 4						
Sales	\$5	41.9	\$5	49.3	\$1,091	.2 \$	603.0	\$	896.4	\$1,4	199.4	\$2,	590.6
Cost of goods sold, including occupancy and					1						1		
buying costs	3	81.6	. 3	92.7	774	.3	422.1		655.2	1,0	077.3	1,	851.6
Selling, general, and administrative expenses	1.	30.7	1	29.1	259	.8	154.3		185.4		339.7		599.5
Interest expense and discount, net		25.7	1	27.7	53	.4	23,3		22.5	4 T	45.8		99.2
Pretax earnings from continuing operations before						7	34	12	1.1		71.5	7.0	
nonoperating income		3.9		(.2)	3	.7	3.3	e 17 .	33.3		36.6	1.	40.3
Nonoperating income	1 5"	2.7	9	2.4		.1	3.9		2.9	1. y 3."	6.8	7.:	11.9
Pretax earnings from continuing operations		6.6		2.2	8	.8	7.2	17	36.2		43.4		52.2
Income taxes	**	1.6		.2	. 1	.8	2.3		7.6		9.9		11.7
Earnings from continuing operations		5.0	(-6-11)	2.0	7	.0	4.9		28.6		33.5	**************************************	40.5
Earnings from discontinued operations, net of tax	0.0	.3	-1.9	(.3)	. 20		(.2)) .	8.7		8.5		8.5
Net earnings	\$	5,3	\$	1.7	\$ 7	.0 \$	4.7	\$	37.3	\$	42.0	\$	49.0
Primary earnings per share	4	30		Y. y	2 1	0.00	3.0 2.5	,			1 1 12	, Eye	
Continuing operations before nonoperating income	\$.07	\$	(.03)	\$.0	04 \$.07	\$.82	\$.89	\$.93
Nonoperating income		.09	-	.08		17	.08		.09		.17		.34
		.16		.05		21	.15		.91	****	1.06		1.27
Discontinued operations		.01		(.01)			(.01		.29	a to the	.28		.28
	\$.17	\$.04	\$	21 \$.14	\$	1.20	\$	1.34	\$	1.55
Fully diluted earnings per share								33					1.
Continuing operations before nonoperating income	\$.08	\$	4	\$	\$.07	\$.80	\$.87	\$.94
Nonoperating income		.08			4		.08		.09	W	.17	×	.33
		.16		-0.		(4)	.15		.89		1.04	£	1.27
Discontinued operations	********	.01			*		(.01)	.27		.26	99.4 \$2,5 77.3 1,8 39.7 5 45.8 36.6 6.8 43.4 9.9 33.5 8.5 42.0 \$.89 \$.17 1.06 .28 1.34 \$.17 1.04	.26
	\$.17	\$	*	\$ *	\$.14	\$	1.16	\$	1.30		1.53

^{*}Fully diluted earnings per share are anti-dilutive and are not shown.

Ten Year Financial Summary

Carter Hawley Hale Stores, Inc.

	(Dollar amounts in thousands, except per share data)	1984(1)	1983	
For the year	Sales	\$3,724,294	\$3,101,682	
	Percent increase from prior year	20.1	19.7	The state of the s
	Cost of goods sold, including occupancy and buying costs	2,702,055	2,240,404	
	Selling, general, and administrative expenses	862,272	706,368	anne e a ann an ann ann ann ann ann ann
\\.	Earnings from continuing operations before interest			
· · · · · · · · · · · · · · · · · · ·	expense, nonoperating income, and income taxes	159,967	154,910	
	Net interest expense and discount	117,237	92,345	
	Nonoperating income(3)	(7,100)	17,020	
	Earnings from continuing operations before income taxes	35,630	79,585	
	Income taxes	8,500	24,200	
	Earnings from continuing operations	27,130	55,385	
	Discontinued operations, net of tax(4)	62,540	12,100	
	Net earnings	89,670	67,485	
	Percent increase (decrease) from prior year	32.9	37.7	
	Cash dividends	50,129	43,454	
	Store property and equipment expenditures	107,284	90,100	
Per common share	Book value	\$ 18.26	\$ 21.27	
	Book value assuming conversion of preferred	20.71	21.44	
The second secon	Primary earnings	2.75	1.93	
	Fully diluted earnings	2.72	1.90	
	Cash dividends	1.22	1.22	
At year end	Accounts receivable, including accounts sold	\$ 894,274	\$ 825,254	
	Merchandise inventories	717,300	579,944	
	Owned property and equipment, net	699,295	664,397	
	Leased property under capital leases, net	124,274	131,169	
	Total assets	1,947,206	1,961,694	
****	Long term debt	396,654	358,268	x - ¥
	Capital lease obligations	152,006	158,075	
	Redeemable preferred stock	300,000	111	
	Nonredeemable preferred stock, common stock, and other			
3.	shareholders' equity	348,166	783,533	
	Common shares outstanding (in thousands)	19,067	35,341	2 C
	Common shareholders	10,692	13,182	150
	Employees	56,000	52,000	12

(I)Fifty-three weeks.

(2)Reflects change to LIFO valuation of specialty store inventories.
(3)Includes tender offer costs of \$7.1 million in 1984, gains on sale of joint venture interests of \$12.8 million in 1983 and \$3.8 million in 1982, and gains on retirement of debentures of \$4.2 million in 1983, \$8.0 million in 1982, \$10.5 million in 1981, \$3.1 million in 1980, and \$1.8 million in 1979.
(4)Includes gain on sale of Waldenbooks of \$63.0 million in 1984.

		1981(2)	1980	1979	1978(1)	1977	1976	1975
5.3	1982			\$2,145,410	\$1,888,714	\$1,462,631	\$1,329,407	\$1,221,635
美	\$2,590,650	\$2,485,697	\$2,313,960	13.6	29.1	10.0	8.8	11.0
	4.2	7.4		1,488,450	1,318,585	1,016,860	932,498	858,452
	1,851,566	1,755,831	1,611,802	491,530	419,314	321,291	292,514	254,258
	599,493	593,321	556,355	471,330	, ,			
		126 545	145,803	165,430	150,815	124,480	104,395	108,925
	139,591	136,545	72,348	59,158	47,424	36,738	34,132	32,181
	99,237	91,412		1,820				
£4	11,806	10,542	3,076	108,092	103,391	87,742	70,263	76,744
	52,160	55,675	76,531	44,600	46,900	39,000	29,993	35,260
	11,650	16,350	26,600	63,492	56,491	48,742	40,270	41,484
	40,510	39,325	49,931	5,570	6,780	4,950	4,010	2,940
	8,515	5,437	7,410		63,271	53,692	44,280	44,424
	49,025	44,762	57,341	69,062	17.8	21.3	(0.3)	28.1
	9.5	(21.9)	(17.0)	9.2	27,289	24,552	23,022	20,523
制	39,450	36,262	33,616	31,073	105,910	97,429	76,611	87,884
	129,469	114,987	155,493	131,438		2 Su - 15 Vy 2 TW	\$ 15.68	\$ 14.78
- 3	\$ 20.58	\$ 20.97	\$ 20.69	\$ 19.76	\$ 18.25	\$ 16.74 17.96	17.08	16.30
THE STATE OF THE S	20.84	21.25	21.23	20.52	19.25	5.000.2	1.75	1.88
T. T.	1.55	1.55	2.08	2.64	2.49	2.14	1.66	1.76
	1.53	1.51	1.97	2.44	2.30	1.99	.90	.83
	1.22	1.22	1.16	1.10	1.00	.95		¢ 201 207
	\$ 782,387	\$ 734,853	\$ 647,644	\$ 594,742	\$ 497,368	\$ 384,230	\$ 328,814	\$ 291,287
	485,370	439,227	376,387	344,553	309,332	234,416	213,474	206,507
	652,042	615,813	565,218	462,590	424,768	331,558	280,938	259,230
	138,377	148,842	156,724	166,494	182,296	184,815	180,952	178,636
11	1,826,314	1,686,150	1,611,548	1,454,207	1,379,014	1,164,278	1,063,786	1,027,049
建	415,366	404,438	403,317	304,360	304,885	218,218	206,780	205,121
A. A.	164,376	174,677	181,733	190,291	204,744	200,733	194,212	189,637
					£ 5		,	
A				F00 707	520 141	481,170	444,877	422,664
- 1	692,972	647,039	620,217	580,783	528,161		22,729	22,620
	31,890	28,920	26,540	25,192	24,148	23,470 14,350	14,098	13,278
	13,288	12,864	12,870	13,611	14,218	39,000	38,000	38,000
Š	49,000	49,000	48,000	50,000	51,000	37,000	30,000	

Directors



Carter Hawley Hale Stores, Inc.

(1) Executive Committee

(3) Compensation Committee

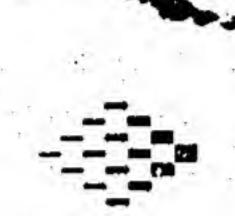
(4) Nominating Committee

(5) Public Policy Committee

(2) Audit Committee

Robert O. Anderson	Chairman of the Board of Atlantic Richfield Company. Director since 1975.(4)
Norman Barker, Jr.	Chairman of the Board of First Interstate Bank, Ltd. Director since 1970.(1,2,3,4)
Benjamin F. Biaggini	Chairman Retired of Southern Pacific Company. Director since 1983.(2,3,5)
William L. Brown	Chairman and Chief Executive Officer of Bank of Boston Corporation and its principal subsidiary, The First National Bank of Boston. Director since 1984. (2)
Waldo H. Burnside	President and Chief Operating Officer of Carter Hawley Hale Stores, Inc. Director since 1980.(1)
Edward W. Carter	Chairman of the Board Emeritus of Carter Hawley Hale Stores, Inc. Director since 1946.(1)
Arthur L. Crowe	Executive Vice President of Carter Hawley Hale Stores, Inc. Director since 1977.(5)
John T. Dorrance, Jr.	Chairman of the Executive Committee of Campbell Soup Company. Director since 1978.(2,4)
Samuel Frankenheim	Senior Vice President, General Counsel, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(4)
Walter B. Gerken	Chairman of the Board and Chief Executive Officer of Pacific Mutual Life Insurance Company. Director since 1977.(1,3,4,5)
Prentis C. Hale	Chairman of the Board of Hale Systems, Inc. Director since 1949.
Philip M. Hawley	Chairman of the Board and Chief Executive Officer of Carter Hawley Hale Stores, Inc. Director since 1970.(1)
Harold J. Haynes	Senior Counselor to the Bechtel Group, Inc. Director since 1977.(2,3,4)
J. Atwood Ives	Vice Chairman, Chief Financial Officer and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984. (1,2)
Herbert W. Jarvis	President and Chief Executive Officer of Sybron Corporation. Director since 1984.(3)
Donn B. Miller	Partner in the Los Angeles law firm of O'Melveny & Myers. Director since 1974.(1)
Walter J. Salmon	Stanley Roth Sr. Professor of Retailing at the Graduate School of Business Administration, Harvard University. Director since 1974. (2,5)
Jean Head Sisco	Partner in Sisco Associates, Management Consultants. Director since 1977.(2,5)
Richard A. Smith	Chairman of the Board, Chief Executive Officer, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984.(1)
Robert J. Tarr, Jr.	President, Chief Operating Officer, and a member of the Office of the Chairman of General Cinema Corporation. Director since 1984. (3)
William B. Thalhimer, Jr.	Chairman of the Board and Chief Executive Officer of Thalhimer Brothers, Incorporated, a subsidiary of Carter Hawley Hale Stores, Inc. Director since 1978. (1,5)
Hugo Uyterhoeven	Timken Professor of Business Administration and Senior Associate Dean for External Relations at the Graduate School of Business Administration, Harvard University. Director since 1984. (5)
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Corporate Officers and Division Management



Carter Hawley Hale Stores, Inc.

Corporate Officers

Philip M. Hawley Chairman of the Board and Chief Executive Officer

Waldo H. Burnside
President and
Chief Operating Officer

Arthur L. Crowe Executive Vice President

John M. Gailys
Executive Vice President
and Chief Financial Officer

J. Hart Lyon Executive Vice President

Edward S. Waterbury Senior Vice President

D. Clair Brumbaugh Vice President

E. J. Caldecott Vice President

Paul E. Chevalier Vice President

Arthur G. Coons

Vice President
Brian L. Fleming

Vice President
Robert J. Gilmartin
Vice President

Matthew J. Guglielmo Vice President Richard P. Hauser Vice President

Harry Levitt Vice President

Donald G. Livingston Vice President

J. Scott Meyer Vice President

Larry Petersen Vice President

Francis T. Phalen Vice President

E. Harlin Smith Vice President

Philip B. Sobel Vice President

Dale G. Thune

Vice President
Walter W. Tuthill
Vice President

John F. Busey Treasurer

James L. Vandeberg Secretary and Corporate Counsel Division Management

Department Stores

The Broadway-Southern California
M. W. Proudfoot, Chairman
H. Michael Hecht, President

The Broadway-Southwest Steven P. Marra, President

Emporium Capwell
David H. Folkman, President
Jack L. Richardson, Chairman

Thalhimers
William B. Thalhimer, Jr.,
Chairman
Charles G. Thalhimer,
Vice Chairman
Stewart M. Kasen, President

John Wanamaker Richard L. Boje, Chairman Jeffrey W. Comment, President

Weinstock's Cheryl Nido Turpin, President

Specialty Stores

Bergdorf Goodman Ira Neimark, Chairman Dawn Mello, President

Contempo Casuals

Eve A. Rich, Chairman

Bernard Zeichner, President

Holt Renfrew
Lenard M. Shavick, Chairman
Robert W. Herber, President

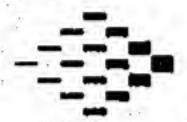
Neiman-Marcus
Richard C. Marcus, Chairman
David L. Dworkin, President

Support Divisions

Information Services
R. Vincent Conant, President

Market Services

Shareholder Information



Carter Hawley Hale Stores, Inc.

	Executive Offices	550 South Flower Street, Los Angeles, California 90071, Telephone: (213) 620-0150
*	Common Stock	Symbol: CHH, New York Stock Exchange, Pacific Stock Exchange, London Stock Exchange
	Transfer Agent and Registrar	Security Pacific National Bank, Corporate Services Division, 2-70, P.O. Box 60228, Terminal Annex, Los Angeles, California 90060
	Indebendent Accountants	Price Waterhouse

General Counsel O'Melveny & Myers, Los Angeles

Annual Meeting

The annual meeting of shareholders will be held at the Hyatt Regency Hotel, Broadway Plaza, Hope and Seventh Streets, Los Angeles, California, on Tuesday, June 4, 1985, at 10:00 a.m.

Form 10-K

A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange
Commission is available upon request to: The Secretary, Carter Hawley Hale Stores, Inc., 550 South
Flower Street, Los Angeles, California 90071.

Dividend Reinvestment Plan

Carter Hawley Hale's dividend reinvestment service is a convenient way for shareholders to increase their investment in the Company. It enables shareholders to apply quarterly dividends or cash deposits they may wish to make toward the purchase of additional shares of Carter Hawley Hale common stock. For information write to Security Pacific National Bank, Corporate Services Division, 2-70, P.O. Box 60228, Terminal Annex, Los Angeles, California 90060.

		First Quarter	Second Quarter	Third Quarter	Fourth	Year
Market Price Ranges of	1984	\$32-183/8	\$311/2-19	\$235/8-191/2	\$27-223/8	\$32-183/8
Common Stock	1983	\$237/8-151/2	\$243/8-201/2	\$24-201/2	\$241/2-211/4	\$241/2-151/2
	1982	\$15-131/8	\$143/4-113/4	\$157/8-105/8	\$171/8-145/8	\$171/8-105/8

The New York Stock Exchange is the principal market on which the common stock is traded. The redeemable preferred stock is not traded.

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